



Synthesis Report

# EUFORI Study

European Foundations for  
Research and Innovation

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With the cooperation of the EUFORI network of country experts

Research and  
innovation

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## Foreword

This report provides a thorough and comprehensive analysis of the contributions that foundations make to support research and innovation in EU Member States, Norway and Switzerland.

Over the last 25 years, the role of foundations as supporters of research and innovation in Europe has grown significantly in scope and scale. However, the landscape is fragmented and, till now, largely uncharted. We knew little about the vast majority of such foundations, their activities or even their number, and information about their real impact on research and innovation in Europe was very limited.

The implications are important, because to strengthen Europe's research and innovation capacity and create the necessary framework conditions to boost our competitiveness, we need a clear picture of what is happening on the ground.

This study helps fill this knowledge gap by analysing foundations' financial contributions, and provides useful insights into the different ways they operate. It also identifies emerging trends and the potential for exploring synergies and collaboration between foundations, research-funding agencies, businesses and research institutes.

Among the many interesting findings presented, what struck me most is the size of the total budget — at least €5 billion per year — provided from foundations for research and innovation in domains with an important social impact. This figure is about half the average annual budget that the EU will give to researchers and innovators throughout the whole duration of the Horizon 2020 programme.

Although this report clearly targets science and innovation policy-makers and, of course, the foundations themselves, I believe that policy-makers in other fields will also benefit from its findings. It is a very valuable contribution to evidence-based policy-making.

Robert-Jan Smits  
Director-General for Research and Innovation

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## Acknowledgements

The EUFORI Study is the result of the growing interest in the potential of foundations. The collective contributions of foundations to European societies, and to the realm of research and innovation in particular, have never been mapped before on such a European scale. Hereby, we would like to express our gratitude to those who have made this substantial project possible.

We would like to thank the European Commission Directorate-General for Research and Innovation for taking the lead in this study and for placing foundations on the European agenda. We are in particular grateful to Dr. Marita Kayamanidou and Ignacio Puente González of the DG Research and innovation for their advice and their supervision of the research project. We look back upon a warm and successful co-operation.

Working with expert researchers from 29 countries has been an enriching and inspiring experience. The role of the experts was of vital importance and their expertise and commitment have made this research possible. We would like to thank them for the dynamic and fruitful collaboration. As most researchers are members of the European Research Network on Philanthropy (ERNOP), the network has been an invaluable asset in making EUFORI a feasible project. We are especially thankful to Helmut Anheier for sharing his expertise on foundation models in his contribution to chapter 1.

We are grateful to the participating European foundations without whom this research would not have been possible. By taking part in the EUFORI Study they have shared essential information on their contributions, practices and roles.

After two and a half years of intensive research, we are proud of the collective effort resulting in 29 individual country reports and one comparative synthesis report. We hope that the reports will reflect the enthusiasm with which they were written.

With the support of the European Commission, the dedication of the expert researchers and the participation of European foundations, it was possible to gain more insight into a world that was largely unmapped up to this moment. It has to be noted that more research is necessary to map the field of philanthropy. We hope that this study will be a stepping stone for future research projects to learn more about the contributions of foundations to societies.

Amsterdam, February 2015

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# Executive summary

The European Union faces a challenge to gain a competitive advantage on the global economic stage. The knowledge economy, with research and innovation at its centre, is a central pillar in the ambition to achieve this position. In order to reach the 3 % target of Europe's 2020 strategy (3 % of the GDP to research and innovation), EU governments and the business sector need to continue their research funding. However, the awareness of the potential of philanthropy in general, and of foundations specifically, as a source of funding for research in Europe, is growing among policymakers. The private contributions of households, charities and foundations can play an important role in the stimulation of specific research areas, and can help to diversify funding.

In recent years increasing recognition has been given to the need to improve knowledge on foundation support for research and innovation. Europe has developed a large, heterogeneous and fragmented foundation sector. However, figures about the number of foundations supporting R&I in Europe were lacking, thus making it very difficult to accurately assess the importance and role of foundations in the European research landscape.

In July 2012, the DG Research and Innovation of the European Commission commissioned the Center for Philanthropic Studies at VU University Amsterdam, to coordinate a study on the contributions of foundations to research and innovation in the EU 27, plus Norway and Switzerland.

The European Foundations for Research and Innovation (EUFORI) Study quantifies and assesses the financial support by foundations and their policies for research and innovation in the European Union, makes a comparative analysis between the EU Member States, and identifies trends and the potential for future developments in this sector.

The study was conducted in close cooperation with researchers from 29 countries. Most researchers are members of the European Research Network on Philanthropy (ERNOP). The study builds on the FOREMAP research, refining its methodology, extending the number of countries covered and conducting a comparative analysis. The EUFORI study is the first attempt at a comprehensive mapping of the overall financial contributions of foundations supporting research and innovation across Europe.

## The main results of the EUFORI Study

### Data collection

The total number of R&I foundations in Europe is not known due to a lack of registers and databases in many countries. Despite these obstacles, a broad sample of 12 941 potential R&I foundations was selected for the study. The EUFORI Study used data from existing registers and snowball sampling. Due to incom

plete and out of date information, the sample was possibly blurred by the inclusion of non-existing, non-active or non-R&I focused foundations. However, to include as many eligible foundations as possible and to collect necessary and valuable data, the nearly 13 000 foundations selected all received an invitation to the study.

The process of data collection and data cleaning ended with a EUFORI dataset containing information from 1 591 foundations supporting R&I. Financial statistics such as income, assets and expenditure were collected from approximately 1 000 foundations, as foundations were sometimes reluctant or not able to provide financial information. It should be noted however that the EUFORI Study contains the most substantial part of R&I foundations in Europe, including the most important players in the research arena. The main descriptive findings from the quantitative analysis are summarised in this section.

## Types of foundations

**R&I Support:** Foundations contributing to research and innovation are mainly interested in supporting research. The majority (61 %) of the 1 591 foundations claim to support research only, whereas 6 % of the foundations only support innovation, and the remaining foundations (33 %) support both. However, for the majority of foundations (64 %), R&I is not an exclusive purpose, as these foundations support other purposes alongside R&I.

**Grantmaking versus operating:** 47 % of foundations claim to be grantmaking only, whereas 41 % of the foundations claim to only carry out operating activities. The remaining 12 % of the foundations are involved in both grantmaking and operating activities. The operating foundations are generally much smaller in terms of assets, income and expenditure than their grantmaking counterparts. Operating foundations can mainly be found in the Mediterranean countries, where 80 % of the foundations are of the operating type. Scandinavian countries on the other hand are characterised by a large share of grantmaking foundations (85 %).

**Year of establishment:** nearly three quarters (72 %) of the foundations supporting R&I were established since the year 1990. This is especially true for Eastern European countries, where it was not possible to set up a foundation during the Communist regimes.

## Origins of funds

**Financial funders:** the majority of foundations in the sample are set up by private individuals/families (54 %). Corporations (18 %), nonprofit organisations (18 %) and the public sector (17 %) are also frequently mentioned as founders.

**Total income:** 1 134 foundations reported a total income of EUR 18.1 billion. There is a considerable skewness in the distribution of income where a small group of foundations is responsible for the lion's share of the total income. This skewness reflects the difference between the mean income (EUR 16 million) and the median income (EUR 0.2 million). There are also large differences in the aggregate income between the countries. The aggregate income of the top three countries (in terms of income) accounts for more

than half that of the total European income. Similar patterns of skewness in and between countries were found for other financial statistics such as assets and expenditure.

**Sources of income:** foundations draw their income from a variety of sources. In Europe, 63 % of the foundations can be regarded as a 'classic foundation', deriving their income from an endowment. More than a third of foundations (36 %) claimed to receive income from their government. For some foundations, income from government is the most important source of income. Donations from individuals were mentioned by 31 %, followed by donations from corporations at 29 %. Proceeds from an endowment account for 48 % of the total known income.

**Assets:** 1 052 foundations reported collective assets of nearly EUR 127 billion. The average amount of assets reported is EUR 120 million. Nearly all the foundations hold liquid assets, the largest share of which takes the form of long-term investments.

## Expenditure

**Total expenditure:** the total sum of expenditure of foundations is just over EUR 10 billion. The majority of total known expenditure, around 61 %, is directed towards research and only 7 % towards innovation. A third of total expenditure is destined for other purposes. The mean amount foundations spend is nearly EUR 9 million, whereas the median amount is EUR 0.2 million.

**R&I expenditure:** the total expenditure on R&I by 991 foundations is EUR 5.01 billion. The largest share, EUR 4.5 billion (90 %) is contributed to research. EUR 0.5 billion (10 %) is contributed to innovation. Innovation as a concept is much more difficult to grasp than research. In reality research and innovation are often intertwined, which makes it difficult to analyse them separately.

**Applied versus basic research:** 83 % of the EUFORI foundations have a focus on applied research, while 61 % support basic research. The distribution of expenditure on the other hand is nearly even, as both applied and basic research receive approximately 50 % of the known research expenditure.

**Changes in expenditure:** foundations were mostly optimistic about alterations in their expenditure. For the majority of foundations the expenditure remained stable compared to the previous year. For more than a quarter their expenditure increased. For the following year, the prognosis was also optimistic, as 25% expected an increase in expenditure.

## Focus of support

**Beneficiaries:** the main beneficiaries of foundations are private individuals. 55 % claimed to contribute support for individuals. Other important beneficiaries are public higher education institutions that can count on support from almost half of the foundations (48 %). Research institutes complete the top three with almost a third (32 %) of foundations benefiting them.

**Research areas:** medical science is the most popular research area amongst foundations. This is true both in the number of foundations (44 %) and in the amount of expenditure (63 %). Other popular research areas in terms of the number of foundations are social and behavioural science and natural science. In terms of expenditure engineering and technology is also in the top three.

**Research-related activities:** the lion's share of foundations' expenditure goes to the direct support of research. Only a small percentage (14 %) of the total research expenditure is destined for research-related activities. Of these activities the dissemination of research is by far the most popular activity, as it is supported by 78 % of the foundations. 'Research mobility and career development' and 'science communication' follow at a distance and are also popular.

## Geographical dimensions of activities

**Geographical distribution:** foundations mainly operate at the national level. Two thirds of the foundations' support is distributed at a national level. Only a small percentage (10 %) of the total support is distributed at a European or international level.

**Role of the EU:** collaboration is the most important role foundations envision for the EU, followed by the provision of fiscal facilities and a contribution to awareness raising about foundations.

## Foundations' operations and practices

**Management:** most foundations are managed by either a governing board with appointed members (51 %) or by a board with elected members (42 %). The original founder is still in charge of the strategy for 15 % of the foundations <sup>[1]</sup>.

**Grantmaking operations:** demanding evidence of how grants have been spent is a common practice for nearly all grantmaking foundations, with 85 % of foundations often or always demanding evidence. Conducting evaluations is also quite common, with 58 % of the foundations stating that they often or always conduct evaluations.

**Partnerships:** a little more than half (51 %) of the 897 reporting foundations indicated that they develop joint research activities in partnership with others. Universities are the most popular partner to collaborate with, followed by other foundations and research institutes. Operating foundations are more often engaged in partnerships than grantmaking foundations.

**Roles:** a clear majority of foundations see themselves mainly as complementary to other players in the R&I domain of. Foundations also identify themselves initiators, but not in a substituting role. Foundations do not perceive their role as competitive.

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1 Multiple answers were possible explaining why the aggregated percentages exceed 100%. For more information view paragraph 2.6 in Chapter 2: Sketching the landscape of foundations supporting R&I in Europe.

**Table 1: Comparative perspective: foundations participating in EUFORI**

Country	n	Cumulative amount (mln €)	
		Total R&I spending	Proportion of foundations (%) that are grantmaking receive income from endowment
Austria	44-64	35.6	77 % 84 %
Belgium	14-38	369.7	58 % 50 %
Bulgaria	5-10	0.4	33 % 38 %
Cyprus	1-7	0.0 <sup>1</sup>	0 % 0 %
Czech Republic	29-59	1.9	33 % 25 %
Denmark	9-22	441.8	94 % 94 %
Estonia	10-36	156.5	27 % 5 %
Finland	52-69	95.2	93 % 93 %
France	12-25	69.5	65 % 72 %
Germany	75-152	581.1	73 % 92 %
Greece	0-6	1.2	20 % 50 %
Hungary	37-253	13.1	48 % 60 %
Ireland	5-14	19.2	85 % 42 %
Italy	13-40	38.8	31 % 38 %
Latvia	6-10	0.5	33 % 25 %
Lithuania	1-4	0.3	75 % 0 %
Luxembourg	4-9	0.3	33 % 67 %
Malta	2-9	0.1	11 % 25 %
Netherlands	28-48	142.6	91 % 83 %
Norway	58-102	347.4	77 % 62 %
Poland	15-37	27.5	30 % 18 %
Portugal	1-19	48.1	39 % 73 %
Romania	2-8	0.9	14 % 29 %
Slovakia	3-11	0.6	89 % 67 %
Slovenia	1-2	0.1	* *
Spain	67-208	327.0	17 % 39 %
Sweden	36-87	436.7	94 % 92 %
Switzerland	114-184	195.5	68 % 67 %
United Kingdom	28-55	1 662.5	93 % 98 %
All countries	720-1 591	5 014.1	58 % 51 %

<sup>1</sup> Total R&I foundation spending for Cyprus is 0.03 million Euros

### Descriptives

The main comparative statistics of the quantitative analysis of the EUFORI study, R&I spending, % grantmaking, % income from endowment are presented according to country in this table. The number of foundations reporting in each country is an important determinative factor for the total amounts. Moreover, the skewness within countries should be taken into account. Extremely large foundations have a major influence on the total amounts, as these foundations account for the largest share in expenditure. The presence (or absence) of large foundations can therefore distort the picture of a country's foundation landscape. EUFORI has aimed at including the most important and influential foundations to gain an insight into the largest share of foundations' R&I expenditure. However, the EUR 5 billion should be considered as a lower bound estimate.

### Explaining the differences

Countries in Europe do not only differ from each other in terms of their foundation model, but also with respect to many other characteristics, such as economic and political conditions, the philanthropic culture, legal conditions, and R&D investments by government and corporate enterprise. How much of the country level variance in foundation activity can be accounted for by these characteristics?

We find a higher R&I expenditure by foundations in countries with a higher score on the democracy index (Economist Intelligence Unit 2013), offer more business freedom, and have a higher GDP. These economic and political conditions foster corporate enterprise investments in R&D, which are positively related to the R&I expenditure of foundations.

## General conclusions

The conclusions are based on an extensive data analysis of the foundations participating in the online survey of the EUFORI Study (n=1 591) and a qualitative and in-depth analysis of the national country reports.

### **Foundations supporting R&I in Europe: a relatively young and growing sector**

Based on the information from the national reports we see in many countries a considerable growth of the number of newly established foundations in Europe since WWII. Nearly three quarters of the EUFORI foundations supporting R&I were established since the 1990s. Not only in Eastern Europe, where it was not possible to set up foundations under the Communist regimes, but also in Western Europe.

### **Foundations contributed at least EUR 5 billion to R&I in 2012**

In 2012 at least 991 foundations in Europe contributed more than EUR 5 billion to research and innovation. The support of foundations for research and innovation in Europe has never been studied on such a large scale. Although this is the contribution of the most substantial part of R&I foundations in Europe, including the most important players in the research arena, the amount should be considered as a lower bound estimate. More than one third of the foundations participating in the EUFORI study (n=1 591) were not able or reluctant to provide financial information about their expenditure on R&I. Besides, from the 12 000 – for the purpose of this study – identified foundations which could potentially support R&I in Europe, only 13 % participated in the EUFORI Study. It is therefore expected that the economic relevance of R&I foundations in Europe is higher than the lower bound estimation of EUR 5 billion.

Despite the fact that we concluded that the contribution of foundations in the research area in Europe is substantial, the economic weight of foundations' support for R&I is small compared to investments of other sectors such as the government and business sector. This reflects how foundations see their own role in the research arena, that is complementary. Almost three quarters of the EUFORI foundations described their role as complementary to public support or the support of others, e.g. the business sector. It should be acknowledged, however, that from a beneficiary perspective the foundations' contributions can make a significant difference. For 44 % of the foundations in the EUFORI Study, an initiating role is prominent. Foundations which could be characterised as independent and risk-taking organisations provide the seed money for new and innovative initiatives, sometimes in undersupplied or underdeveloped areas.

### **A skewed landscape of foundations supporting R&I**

There are large differences in R&I foundations' expenditure between countries in Europe. The top countries contributing to research are the United Kingdom (EUR 1.66 billion), Germany (EUR 0.58 billion), Denmark (EUR 0.44 billion) and Sweden (EUR 0.44 billion). Striking is the skewness of the distribution in R&I expenditure by foundations in Europe. These four countries are responsible for two thirds of the total expenditure on R&I by the foundations identified in the EUFORI Study.

## **Financially vulnerable foundations most prevalent in peripheral and post-Communist countries**

The EUFORI Study revealed that most R&I foundations in post-Communist (Eastern European countries) and peripheral countries (Greece, Cyprus and Ireland) are characterised by a lack of appropriate funds. Foundations are mostly grantseeking, have no or small endowments and are mainly dependent on EU structural funds or governmental subsidies. As a consequence the financial independence of the foundations in these countries is low.

## **Variations in R&I foundation activity between countries in Europe reflecting the economic and political conditions and corporate R&D investments**

Most aspects of foundation activity show moderately strong relationships with the economic and political conditions. We find higher R&I expenditure by foundations in countries with a higher score on the democracy index, offer more economic freedom, and have a higher GDP. These economic and political conditions foster corporate enterprise investment in R&D, which are positively related to the R&I expenditure of foundations. Foundations are also more likely to be of the grantmaking type and to rely on income from an endowment in countries with higher levels of business investment in R&D. Government investment is largely unrelated to foundation activity. Finally, we found that the current legal conditions are largely uncorrelated with foundation activity. Neither the amount spent on research and innovation, the type of foundation (grantmaking vs. operating) nor the source of income (from an endowment or not) are related to scrutiny by the authorities, the availability of tax deductions for donations, nor to tax exemptions for public benefit organisations such as foundations. This result suggests that the current legal treatment of foundations does not encourage foundation activity supporting research and innovation. Future research is required to uncover why legal treatment is not correlated with foundations' spending on R&I.

## **The fragmented landscape of foundations supporting R&I**

The European landscape of foundations supporting R&I can be characterised by a few very large, well-known foundations with substantial budgets available for R&I and many small foundations with modest resources that often operate in the background. Due to a lack of systemised and exhaustive data on foundations in many countries the total number of foundations active in the area of research and innovation in Europe is unknown. Following the strategy suggested by the FOREMAP Study, the EUFORI Study used data from existing registers and snowball sampling to build a comprehensive database of foundations supporting research and innovation. It turned out that the identification of foundations supporting R&I in Europe was a challenging one. Even in countries with a register or database it was still not easy to create lists, as the databases were not always up to date. The national experts identified more than 12 000 foundations which could potentially support R&I.

Another important conclusion resulting from the EUFORI Study is that many foundations supporting R&I do not consider their own foundation as an R&I foundation, nor do they define themselves as a research community. This could be explained by the fact that research and innovation is often not the exclusive focus of foundations. Approximately two thirds of the EUFORI foundations are not exclusively focused on R&I. Another explanation (which is closely linked to the previous one) lies in the elusive character of research and innovation itself. Research and innovation is often not seen as a purpose/field in itself, but is instead used as an instrument for other purposes and areas in which foundations specialise (such as health, technology, society). As a consequence, the landscape of foundations supporting R&I in Europe could be characterised as fragmented. The lack of a common research identity among foundations supporting research and innovation is reflected by a lack of dialogue between foundations (occasionally between foundations that deal with similar topics, e.g. health foundations), let alone the existence of a R&I collaboration infrastructure or umbrella organisations for foundations active in the research arena.

### **EUR 127 billion in assets: a considerable amount of money**

The assets of 1 052 foundations supporting R&I in Europe amounted to EUR 127 billion in 2012. This amount should be considered as a lower bound estimate since not all foundations participating in this study have provided information on their financial assets. It is, on the other hand, estimated that the asset information of the largest foundations contributing to R&I is included.

### **Cross-border donations in Europe in its early stages**

Foundations supporting R&I in the EUFORI Study allocated 90 % of their expenditure for these purposes at a national or regional level. Based on the information in the national reports, this is mainly caused by the statutes of a foundation which often impose restrictions on its geographical focus. Moreover, the small financial basis of many foundations do not allow them to become active at an international level.

## **Recommendations**

Due to the diversity in cultures, historical contexts and the legal and fiscal frameworks of European countries, the recommendations are general in nature. It should be noted, however, that all countries have their own national country reports, including analyses, best practices, conclusions and extensive recommendations. The main objective of the recommendations made in this final chapter is to increase the potential of R&I foundations in Europe. Specifically, the recommendations aim to increase the impact of existing R&I foundations, increase the funding by R&I foundations for R&I, increase the income of R&I foundations and to create new R&I foundations.

### **Recommendation 1: Increase the visibility of R&I foundations**

This recommendation is addressed to foundations, national governments, the European Commission, businesses and the public at large. It is related to the fragmented landscape of foundations supporting R&I in Europe, which is reflected by a lack of dialogue between foundations. Growing visibility will enhance the impact of existing funding. If foundations become more aware of each other's activities, the effects and impact of their contributions can be increased. Moreover, the other stakeholders involved, such as the business community and research policy-makers, will become more knowledgeable about the foundations' activities. From the perspective of the beneficiaries, research institutes, universities and researchers will find their way to foundations more easily. In order to increase the visibility of foundations supporting R&I at a national level, the encouragement of the creation of national forums of research foundations is recommended as a next step. The opportunities and mutual benefits for foundations supporting R&I at a national level should be explored.

### **Recommendation 2: Explore synergies through collaboration**

Different players can be distinguished in the domain of research (governments, business, foundations and research institutes/researchers), each with their own distinctive role. Together, these groups can make a difference in increasing the potential for R&I. They can create synergy through collaboration, which should be interpreted in the broadest sense, varying from information sharing, networking, co-funding and partnerships. Mutual advantages can be derived from pooling expertise, sharing infrastructure, expanding activities, pooling money for lack of necessary funds, avoiding the duplication of efforts and creating economies of scale.

Based on the conclusions of the EUFORI Study there is an indication for the need for improved dialogue, information exchange, networking and cooperation between foundations supporting R&I, as well as between foundations, governments, business and research institutes (researchers). An EU-wide study is recommended on the needs, the opportunities, mutual benefits and barriers for collaboration between all the abovementioned actors. The network of national experts (mostly members of ERNOP) built for the EUFORI study can be of added value for this study and can facilitate the collaborative relations between the EC/RTD, the R&I foundation sector and other stakeholders in Europe.

### **Recommendation 3: Create financially resilient foundations**

This recommendation is addressed to foundations. The EUFORI Study revealed that the most financially vulnerable foundations are small grantseeking foundations characterised by a lack of appropriate funds, no or small endowments, and are mainly dependent on EU structural funds or governmental subsidies. To assure their sustainability, foundations should therefore aim to become financially resilient and less dependent on uncertain or single streams of income by diversifying their sources of income, building endowments, exploring the opportunities in creating and investing in social ventures, and exploring the possibilities of a system of 'matching funds' for foundation-supported research projects at both a national and EU level.

## **Recommendation 4: Improve the legal and fiscal system**

The national reports presented in this study show a variety in the way national legislators treat foundations, both legally and fiscally. Some national reports point out that the legal and fiscal conditions seem to hamper the establishment and functioning of foundations supporting R&I. The following recommendations are focused on reducing legal barriers for the creation and functioning of foundations, and are addressed to national governments for their implementation, while the EC can play a facilitating role by providing a platform to exchange information on best practice:

- Remove barriers and streamline regulations for setting up a foundation.
- Remove barriers to foundations' operations.
- Improve fiscal conditions for foundations supporting R&I.

## **Recommendation 5: Integrate philanthropy as a constituent of the EU welfare state paradigm**

This recommendation is particularly addressed to EU and national policymakers and politicians. In many countries R&I is often perceived as a remit of the government. A 'change of culture' is necessary in universities, research institutes and national governments. Promoting a giving culture will increase funding for foundations. It will also bring about a change of culture in universities and research institutes which are not used to raising funds from philanthropic sources.

Philanthropy has been until now an isolated issue on the EC commissioners' agendas. However, the social market and cohesion target stipulated in the EU 2020 strategy opens a new window of opportunity. The focus on research and innovation is important, but it captures only a fraction of the growing societal significance of philanthropy. Philanthropy is not just a financial instrument for research and innovation. Foundations and fundraising charities fund important public services. It is an integral part of the resilience of societies and a key ingredient of social cohesion. Finally, by integrating philanthropy into the EU welfare state paradigm, philanthropy may truly live up to its potential as a way of increasing economic growth and creating jobs in Europe.

## **The EUFORI Study's methodology**

In order to achieve the objectives of the EUFORI Study the research project consisted of five stages:

### **1. Building a network of national experts on foundations**

The EUFORI Study was conducted by a network of researchers, foundation officers and scholars from 29 European countries. Most researchers are members of the European Research Network on Philanthropy (ERNOP).

### **2. Identification of R&I foundations in Europe**

An important goal of the EUFORI Study was to identify and build a comprehensive contact database of foundations supporting research and innovation in all the member states. Following the strategy suggested in the FOREMAP study, the EUFORI Study used data from existing

registers and snowball sampling to build a comprehensive contact database of foundations supporting research and innovation.

### **3. National survey among the identified foundations**

In order to assess foundations' financial support and policies for research and innovation, the data collection has been carried out from the identified foundations in each country by means of an online survey. The survey questions were structured using the following topics: types of foundation, sources of income, assets, expenditure on research and innovation, types of support, focus of support, geographical dimensions of activities, foundations' operations and practices, and the role of foundations in the R&I arena.

### **4. Interviews with foundation professionals**

To contextualise the findings from the quantitative study, additional interviews with foundation professionals were conducted to gain a more in-depth understanding of the foundations' activities and their impact in the research/innovation arena.

### **5. Concrete examples of innovative practices**

The identification of innovative and successful examples of research and/or innovation projects with a major impact in the field enabled the sharing of best practice among member states. Innovative examples enriched and illustrated the findings from the survey.

## **Defining foundations, research and innovation for the purpose of this study**

The definitions used in this study are as follows:

**Foundation:** 'independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programs' (EFC 2007).

**Research:** For the purpose of this study research included basic and/or applied research projects or programs covering all the areas of science, technology from social science, the humanities, engineering and technology, natural science, agricultural science and medical science (including clinical trials phases 1,2,3). Research-related activities were also covered. These included support for projects/programs on researcher mobility (career structure and progression), knowledge transfer (including intellectual property rights/patents), civic mobilisation or advocacy (trying to change social opinions and/or behaviours regarding science, including promoting science-related volunteering, or promoting researchers' rights and social status), infrastructure (laboratories, research centres, pilots or demo plants), the dissemination of research (seminars, conferences, etc.) and science communication (museums and science parks).

**Innovation:** The definition of 'innovation' used in EUFORI Study is based on the definition of the Innovation Union: 'The introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects'.

The study primarily focused on research and innovation (R&I) foundations, which means foundations whose primary objective is to support research and innovation. Secondly, the study focused on foundations that partly support R&I, such as foundations that are active in the area of health or in social, economic and political areas, with a significant aspect of their budget being focused on research and innovation.

# 1 Introduction

This study, also known as European Foundations for Research and Innovation (EUFORI) Study, aims to quantify and assess foundations' financial support and policies for research and innovation in the EU, to make a comparative analysis between the EU27 Member States (and Norway and Switzerland), and to identify trends and the potential for future developments in this sector.

The central questions in this study are, among others, how many foundations supporting R&I in Europe can be identified? What is the financial contribution of foundations to R&I in terms of expenditure? How can differences between European countries in the research and innovation activities of foundations be explained? In this chapter the contextual background and relevance of the EUFORI Study will be discussed.

## 1.1 Contextual background to the study

The European Union faces the challenge of gaining a competitive advantage on the global economic stage. The knowledge economy is one of the main ways of reaching this goal. Compared to other parts of the world, Europe is lagging behind with regard to public and private investment in research and innovation. Although countries like Sweden and Finland are investing heavily and are ahead of many other European countries, the EU as a whole is falling behind Asia and the US in terms of R&D expenditure as a percentage of GDP <sup>[1]</sup>.

In order to reach the 3 % target of Europe's 2020 strategy (3 % of GDP to research and innovation), EU governments and the business sector need continue to fund research. However, the awareness of the (untapped) potential of philanthropy as a source of funding for research in Europe is growing among policy-makers. The private contributions of households, charities and foundations can play a very important role in some specific fields and help to diversify funding. Philanthropy has made a comeback in recent years and is finding new form and meaning in an emerging civil society (Schuyt, 2010) <sup>[2]</sup>. Schuyt argues that:

*'Government, market and philanthropy are three allocation mechanisms for achieving goals for the common good. Strangely enough, it appears that a monopoly of any one of these mechanisms does not lead to a viable society.'*

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1 [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/R\\_%26\\_D\\_expenditure](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/R_%26_D_expenditure)

2 Th.N.M. Schuyt (2010) 'Philanthropy in European welfare states: a challenging promise?'. *International Review of Administrative Sciences* 76(4): 774-789.

*Perhaps the solution for the future lies in some form of interplay among these three mechanisms, in which government guarantees a strong foundation and the market and the philanthropic sector create space for dynamics and plurality’*  
*(Schuyt, 2010: 786).*<sup>[1]</sup>

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Schuyt continues that the growth of philanthropy offers a promising challenge for policy-makers in welfare states. In recent years increasing recognition is being given to the need to improve knowledge about foundation support for research and innovation. Europe has developed a large, heterogeneous and fragmented foundation sector. A rough estimate is that about 110 000 public benefit foundations exist in the EU <sup>[2]</sup>. Figures on the number of foundations supporting R&I in Europe are scarce. Unfortunately, little information is available to accurately assess the importance and role of foundations in the European research landscape. Centralised data on the collective contribution of foundations and their activities are unavailable in several Member States.

In 2005, the European Commission set up an independent expert group to ‘identify and define possible measures and actions at national and European level to boost the role of foundations and the non-profit sector in supporting research in Europe’ (European Commission, 2005: 5) <sup>[3]</sup>. In its final report ‘Giving more for research in Europe’, the expert group outlined a number of policy recommendations and suggests, among others, to improve the visibility and information about foundations supporting research in Europe. Following the recommendation of this expert group the FOREMAP project was launched in 2007 to develop a mapping methodology and tools to collect data on foundations’ research activities in EU countries (EFC, 2009) <sup>[4]</sup>. This initiative was coordinated by the European Foundation Centre (EFC) and was co-funded by the European Commission. These tools were piloted in four countries (Germany, Portugal, Slovakia and Sweden) and recommendations were outlined in the report ‘Understanding European Foundations. Findings from the FOREMAP project’ on how best to expand mapping to the other EU member states.

The FOREMAP project laid the groundwork for the current study on foundations supporting research and innovation in the EU. In July 2012, the Center of Philanthropic Studies at VU University Amsterdam was commissioned by the European Commission, DG Research and Innovation, to coordinate a study on the contributions of foundations to research and innovation in the EU 27 (plus Norway and Switzerland). This

1 Ibid

2 See: [http://ec.europa.eu/internal\\_market/company/docs/eufoundation/feasibilitystudy\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/eufoundation/feasibilitystudy_en.pdf)

3 European Commission (2005) Giving more for research: the role of foundations and the non-profit sector in boosting R&D investment. Directorate-General for Research, EC: Brussels

4 EFC (2009) Understanding European Foundations. Findings from the FOREMAP project. EFC: Brussels

two-year study, also known as the European Foundations for Research and Innovation (EUFORI) Study is being conducted in close cooperation with researchers from 29 countries. The study builds on the FOREM-AP research, refining its methodology, extending the number of countries covered and conducting a comparative analysis. The aim of the EUFORI Study is to quantify and assess foundations' financial support and policies for research and innovation in the EU, to make a comparative analysis between the EU Member States, and to identify trends and the potential for future developments in this sector. The collection of data allows a better understanding of the role foundations play or could play in advancing research across the EU. Moreover, another side effect of the study is that it will increase and improve the visibility of research-funding foundations in Europe <sup>[1]</sup>.

The awareness of the (untapped) potential of philanthropy as a source of research funding in Europe is not only growing among policy-makers, but also among the recipients of philanthropic funding for research, such as universities. In 2008 the EC Directorate General Research and Innovation commissioned the Tender 'Study to assess fundraising from philanthropy for research funding in European universities'. The study was carried out by the Center of Philanthropic Studies at VU University in cooperation with Kent University (European Union, 2011) <sup>[2]</sup>. They found that – despite a very few higher education institutions in the UK, philanthropic fundraising is not, on the whole, taken seriously in European universities. Although universities in Europe perceive foundations to be the most important donor (compared to other donors such as corporations, alumni, wealthy individuals), only a very small number of universities are raising significant sums of money for research from foundations. In a more positive light, this may be interpreted as indicative of potentially significant untapped potential.

## 1.2 Foundation models in Europe <sup>[3]</sup>

### Introduction

The objectives, activities and the overall importance of foundations vary significantly across Europe. This applies also to foundations engaging in research and innovation. This is because foundations are inherently political institutions – less so in the sense of party politics and advocacy, and more so in terms of deep-seated institutional 'space' that societies allow private actors to become active in the public realm (Anheier and Daly 2007). For example, the long-standing Republican Jacobin tradition in France, combined with an aversion against the main motto dating back to the era of the French Revolution, meant that the relatively few existing French foundations simply did not fit the institutional mainstream (see Rozie, 2007). By contrast, the long history of charity in the United Kingdom, and the mostly synergetic, but sometimes tense, relations with the State, made foundations political institutions in a different way. By allocating a substantial space to them, they had to respond to the expectations that they indeed contribute to soci

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1 Terms of reference for a Tender Study on 'Foundations supporting research and innovation in the EU: quantitative and qualitative assessment, comparative analysis, trends and potential', European Commission, DG Research and Innovation, July 2011.

2 European Union (2011). Giving in Evidence. Fundraising from philanthropy in European universities.

3 This section was written by Helmut K. Anheier, Professor of Sociology and Dean at the Hertie School of Governance in Berlin. He also holds a chair of Sociology at Heidelberg University and serves as Academic Director at the Center for Social Investment.

ety’s wellbeing (Leat 2007). To add one more example, the social democratic preference for public over private action in Scandinavian countries like Sweden nonetheless co-exists with a foundation sector based largely on liberal and conservative values (see Wijkstroem 2007).

These institutional preferences rest on a complex mix of cultural and political values, and reflect both long-standing path dependencies and more recent developments. The revival of foundations in the Baltic countries or Poland illustrates the latter, and the Swiss case stands for centuries of continuity. France has in recent years introduced reforms to make it easier for private foundations to operate. Some other countries show severe historical discontinuities. For example, Germany had a burgeoning foundation community linked to the rise of the urban middle class until the 1920s, only to see it collapse due to economic crises and the politics of totalitarianism. It didn’t revive until the 1980s, when the economic wealth accumulated after World War II and regulations in favour of foundations began to produce results, slowly at first, and with higher growth rates over the last 20 years.

### Foundation models

To account for the characteristics of the European foundation sector, Anheier and Daly (2007) proposed different models. The reasoning behind their classification is informed by three theoretical approaches that have been proposed to understand the European welfare states, the third sector and the market economy as a whole. These models posit different ‘moorings’ for sectors that involve deep-seated values and institutional dispositions, even though to different extents.

First, the Three Worlds of Welfare Capitalism approach (based on Esping-Andersen 1990; combined with Arts and Gelissen 2002) suggests different ideal-type welfare regimes according to the trajectories of different historical forces, as combinations of the different realisations of two fundamental dimensions: (1) decommodification and (2) stratification (see Table 1).

**Table 1.1: Decommodification and stratification**

	Decommodification Low	Decommodification High
Stratification Low	Conservative Italy, France, Germany, Spain	Social-democratic Netherlands, Denmark, Sweden
Stratification High	Liberal United Kingdom, Ireland	(Post-socialist) Czech Republic, Poland, Estonia

(Based on Esping-Andersen 1990; Arts and Gelissen 2002)

Second, the Social Origins Theory (Salamon and Anheier 1998; Anheier 2010) suggests two central dimensions for a nonprofit regime typology to categorise four different nonprofit regimes. The dimensions are: (1) social welfare spending on the country level and (2) the size of the nonprofit sector. The classification is conceptually related to Esping-Andersen’s notion of welfare state conceptions, but goes beyond it by stressing the role of the nonprofit sector (see Table 2).

**Table 1.2: Government spending – scale of the nonprofit sector**

	Government social welfare spending Low	Government social welfare spending High
Scale of nonprofit sector Small	Statist Czech Republic, Spain, Italy	Social democratic Sweden, Denmark
Scale of nonprofit sector Large	Liberal United Kingdom	Corporatist France, Germany, Netherlands, Spain

(Based on Anheier, 2010; Salamon and Anheier 1998; Salamon and Sokolowski 2004)

The Varieties of Capitalism approach (Hall and Soskice 2001) postulates that two main types of capitalism exist in developed countries (see Table 1.3). On the one hand there are the liberal market economies (LMEs), and on the other hand the coordinated market economies (CMEs). The main defining variable is the private sector’s ability to act (in)dependently from government influence. In state-directed economies the degree of innovation is assumed to be rather evolutionary, while liberal market economies are supposed to be characterised by revolutionary innovations; this relates to industry-specific technological and comparative advantages (cf. Schneider and Paunescu 2012, p.732).

**Table 1.3: State versus market dominance**

State (-dominated) ←		Market (-dominated) →	
CME	Hybrids	LME-like	LME
Germany, France	Italy, Czech Republic	Spain, Netherlands, Sweden	Denmark, United Kingdom

(Based on Hall and Soskice 2001; Schneider and Paunescu 2012)

While the different classifications are useful for many types of analyses, they fall short of exploring the characteristics of the foundation sector and thus the objectives, activities and overall importance of foundations across Europe. In this respect, and considering the empirical profiling of foundations in European countries, Anheier and Daly (2007) drew on these approaches in proposing the models below. They are meant to account for the context in which foundations are created and in which they operate.

Each model groups countries based on different relations between the state, the corporate sector, non-profit organisations and the foundations themselves. These models may not only provide a framework of explanation for the different objectives, activities and importance of foundations, but they also serve to articulate the position of foundations and, thus, the specific opportunities and challenges they encounter in each country. These six models shape the subsequent analysis of developments in Europe’s foundation sector:

- In the social democratic model foundations either complement or supplement state activities. The model assumes a highly developed welfare state in which foundations are part of a well-coordinated relationship with the state. Foundations are important, but their service-relative contributions in absolute and relative terms remain limited due to the scale of the welfare state. There are numerous smaller grantmaking foundations that have been set up by individuals, large companies and social movements over time. The borderlines between foundations and businesses are complex and fluid. Country examples: Sweden, Norway, Denmark, Finland.
- In the corporatist model foundations are in a 'subsidiary relation with the state' (Anheier and Daly 2007: 17). Here they are part of the social or educational system and many combine grantmaking and operative dimensions. Foundations are important as service providers, but less so in terms of their overall financial contribution. In this model, the boundaries between the state and foundations are complex. The corporatist model can be further distinguished into three subtypes:
  1. In the state-centered corporatist model foundations are closely supervised by the state. There exist only a few grantmaking foundations; foundations are primarily operating or quasi-public umbrella organisations. Country examples: France, Belgium, Luxembourg.
  2. In the civil-society centered corporatist model foundations are part of the welfare system. Grantmaking foundations are less prominent. There are complex boundaries between the state and foundations, as well as between foundations and private businesses. Country examples: Germany, Netherlands, Austria, Switzerland, Liechtenstein.
  3. In the Mediterranean corporatist model foundations are primarily operating. The development of grantmaking foundations is much less pronounced, and complex boundaries exist between foundations and the state on the one hand, and, for historical reasons, with established religion, especially the Catholic Church, on the other. Country examples: Spain, Italy, Portugal.
- In the liberal model foundations engage parallel to the state, 'frequently seeing themselves as alternatives to the mainstream and as safeguards of non-majoritarian preferences' (ibid: 17). Foundations are primarily grantmaking, whereas operating functions are less prominent today, and typically reach back to the Victorian era in the form of housing trusts or health and social providers. The boundaries between the state and private business are well-established. Country example: the United Kingdom.
- In the statist model foundations play a minor role both in terms of grantmaking and service provision, and for a variety of historical reasons that include the role of religion, patriarchy and long-standing immigration patterns in the context of recent economic development. The statist model can be further distinguished into two sub-types:
  1. In the peripheral model foundations primarily operate to compensate for the shortfalls of the provision of public goods by the public sector, but they do so at rather insufficient levels. Together, foundations have not reached the institutional momentum needed to become significant players. Country examples: Ireland, Greece
  2. In the post-socialist model foundations also play minor roles. Operating foundations are dominant and work in parallel to public agencies. There are only few grantmaking foundations. There are complex boundaries between the state and foundations, and between foundations and private business. Until the last decade, most philanthropic funds in the region came from either the United States or from Western Europe.

These models suggest that the prevalent institutional and legal environment is fundamental to the characteristics and development of foundations – along, of course, with other factors such as historical, economic and social aspects. The differences between these models are obviously not clear cut; but they are rather ideal-typical constructions or descriptions of a much more complex reality. Clearly, the applicability of the various models remains to be fully tested, and their validity is also an empirical question as it also depends on the policies and laws in place, as well as the changes that might occur.

Recent years have seen some substantial developments to which foundations have been reacting. These include the increasing levels of private wealth, the continued re-structuring of the welfare state which favours a reduced role for governments and a greater responsibility lodged with individuals and the enduring economic and investment crisis. Some of these change-inducing processes have been fuelled or amplified by EU-sponsored processes such as the current creation of a European Foundation Statute.

## Conclusion

Foundations have grown in recent years, both in numbers and in assets, suggesting themselves as alternatives or complements to the instruments of the modern welfare state (European Foundation Center 2014). Economic prosperity and a (though varied) re-structuring of the welfare state are closely related to the overall rise of foundations. In recent years, given their resources, foundations have become more attractive options for the EU and its member States to secure and, in particular, to complement modern public policy goals and activities. The EU and its member States have played a favourable role in the growth of foundations by encouraging the establishment and operations of foundations at the national and European level through court decisions, regulations and policy guidelines.

This expansion, however, is not a foregone conclusion. Foundations also exist because markets and governments may fail, as Hansmann (1996) and Weisbrod (1988) have pointed out. They can provide goods and services that neither the state nor the market can deliver. But in most cases, they do what states, markets and nonprofit organisations can do as well – perhaps not as well, but at least in principle: provide social, health or educational services; and offer stipends to gifted people, support for the poor or the arts, and financial protection for the needy. It is in this context, that foundations make their truly distinct contribution to society: pluralism. By promoting diversity in thought, approaches and practice they enable innovations and secure the problem-solving capacity of society. The argument applies also for foundations that are active in the field of research and innovation. These fields comprise high risks and low pay-off undertakings that other potential funders or research institutions may not be willing to take on.

Moreover, foundations provide additional social and financial resources in a context where European public expenditure on research and development remains significantly lower than its American or Japanese counterparts (Eurostat 2014). From a public policy perspective there are therefore good reasons to promote the growth of foundations. Yet, as emerged in this short overview, we still know very little about foundations, in particular in the field of research and innovation. Better knowledge about the funding sources of foundations, their activities, their roles, their importance and the environment they work in can help encourage new political approaches to promote research and innovation on a member-state and EU-level.

## 1.3 Research and innovation performance in Europe

In 2000 The Lisbon strategy set the EU an objective of devoting 3 % of its gross domestic product (GDP) to R&D activities by 2010. Business was expected to account for two thirds of R&D investment, and the government the remaining third. Europe was to be turned into the most competitive knowledge-based society. However, due to the worldwide economic crisis the 3 % target was not reached by 2010, except for Finland, Sweden and Denmark. Subsequently, the 3 % target was maintained in the Europe 2020 Strategy, where 'smart growth' (developing an economy based on knowledge and innovation) is one of the priorities in the coming years <sup>[1]</sup>.

### 1.3.1 R&D expenditure in Europe <sup>[2]</sup>

Gross domestic expenditure on R&D (GERD) <sup>[3]</sup> in the EU28 in 2012 accounted for EUR 266 898 million. There was an increase of 2.9 % compared to the previous year, or 42.9 % higher than 10 years before. In terms of expenditure as a proportion of GDP, also known as R&D intensity <sup>[4]</sup>, the EU28 spent 2.07 % of its GDP on R&D. The business sector (1.31 %) accounted for the largest share (almost two thirds), followed by the higher education sector (0.49 %), the government sector (0.25 %) and the private nonprofit sector (estimation of 0.02 %).

Although the expenditure of foundations is covered in the EU R&D statistics, it is not possible to distinguish the funding part of foundations for research, development and innovation. Moreover, even on a national level systemised and aggregated data of foundations' contribution to the research arena is scarce <sup>[5]</sup>. This lack of data underlines the importance of the current study to map out the foundations' contribution in advancing research across the EU. It should be noted, however, that the EUFORI study is a first attempt at mapping out foundations' support for R&I. We should be cautious when trying to compare the economic data from EUROSTAT with the socio-political data derived from the EUFORI Study.

#### The EU compared to other parts of the world

Compared to countries like Japan (3.25 %, 2010 data) and the USA (2.67 %, 2011 data), the EU28 (2.07 %, 2012 data) is still lagging behind in terms of R&D intensity. This is mainly explained by the slow relative growth in business R&D expenditure. The R&D intensity of the business sector in the EU28 (1.30 %, 2012 data) is much lower compared to Japan (2.49 %, 2010 data) and the United States (1.83 %, 2011 data), while the relative importance of R&D expenditure in the government and higher education sector was broadly similar.

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1 [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

2 This section is based on information and data from Eurostat. [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/R\\_%26\\_D\\_expenditure](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/R_%26_D_expenditure)

3 GERD includes expenditure on research and development by business enterprises, higher education institutions, as well as government and private nonprofit organisations.

4 Research and development (R&D) intensity for a country is defined as the R&D expenditure as a percentage of gross domestic product (GDP), see [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Glossary:R\\_%26\\_D\\_intensity](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:R_%26_D_intensity)

5 EFC (2009). Understanding European Foundations. Findings from the FOREMAP project

## Differences between EU countries

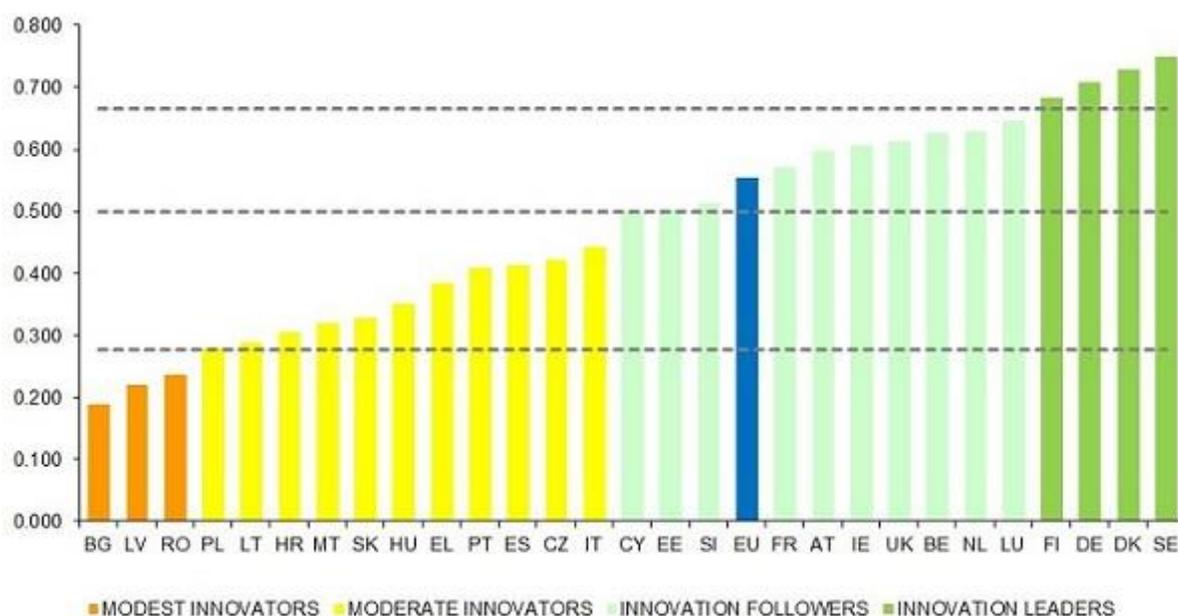
Among the EU Member States, Finland (3.55 %), Sweden (3.41 %) and Denmark (2.98 %) had the highest R&D intensities in 2012. The member States with the lowest R&D intensities were Cyprus (0.46 %), Bulgaria (0.64 %), Latvia (0.66 %) and Greece (0.69 %).

### 1.3.2 Innovation performance in Europe

Innovation is the main driver of economic growth and stimulates a faster recovery from the crisis [1]. In order to improve their performance in innovation the EU created the Innovation Union, a Europe 2020 initiative. This is the European Union's strategy to create an innovation-friendly environment that makes it easier for great ideas to be turned into products and services that will bring our economy growth and jobs [2].

The annual Innovation Union Scoreboard provides a comparative assessment of the research and innovation performance of the EU Member States and the relative strengths and weaknesses of their research and innovation systems (European Union, 2014) [3]. Based on the average innovation performance, the EU Member States fall into four different performance groups: modest innovators, moderate innovators, innovation followers and innovation leaders (see figure 1.1).

Figure 1.1. Innovation Union Scoreboard 2014



Source: Innovation Union Scoreboard 2014 [4], European Union, 2014

1 EU (2013) The Innovation Union. A pocket guide to a Europe 2020 initiative

2 [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

3 See also [http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index_en.htm)

4 The Innovation Union Scoreboard (IUS) 2014 uses the most recent available data from Eurostat and other internationally recognised sources, with data referring to 2012 for 11 indicators, 2011 for 4 indicators, 2010 for 9 indicators and 2009 for 1 indicator.

Switzerland and Norway (two European countries outside the EU participating in the EUFORI Study) fall into the groups of innovation leaders and modest innovators, respectively. Switzerland has confirmed its position as the overall innovation leader by outperforming all EU Member States for years. Countries with the highest innovation growth leaders were Portugal, Estonia and Latvia, whereas Sweden, the UK and Croatia recorded the lowest innovation growth rates. When looking outside the EU, the US and South Korea are placed as top global innovators.

## 1.4 Research design, definitions and structure of the report

### .....Research design

In order to achieve the objectives of the EUFORI Study the research project consists of the following stages [1]:

#### Building a network of national experts

The EUFORI Study has been carried out by a network of researchers, foundation officers and scholars from 29 European countries. Most researchers are members of the European Research Network on Philanthropy (ERNOP). ERNOP was founded in January 2008 by collaborating philanthropy researchers in Europe in order to advance, coordinate and promote excellence in philanthropic research in Europe. Currently almost 150 researchers in more than twenty European countries have joined ERNOP [2].

#### The identification of R&I foundations in Europe

An important goal of the EUFORI Study is to identify and build a comprehensive contact database of foundations supporting research and innovation in all the member States. Following the strategy suggested in the FOREMAP study, the EUFORI Study used data from existing registers and snowball sampling to build a comprehensive contact database of foundations supporting research and innovation.

#### National survey among the identified foundations

In order to assess foundations' financial support and policies for research and innovation, data collection was carried out among the identified foundations in each country by means of an online survey. The survey questions were structured along the following topics: types of foundation, sources of income, assets, expenditure on research and innovation, type of support, focus of support, geographical dimensions of activities, foundations' operations and practices, and the role of foundations in the area of R&I. [3]

#### Interviews with foundation professionals

To contextualise the findings from the quantitative study, additional interviews with foundation professionals were crucial to get a more in-depth understanding of the foundations' activities and their impact on the research/innovation arena.

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1 For a more extensive description of the methodology, research design, research tools and scope of the study is referred to the methodology section in annex II

2 See [www.ernop.eu](http://www.ernop.eu)

3 The full questionnaire can be found on the website: [www.euforistudy.eu](http://www.euforistudy.eu)

Concrete examples of innovative practices

The identification of innovative and successful examples of research and/or innovation projects with a major impact on the field enables the sharing of best practice between Member States. Innovative examples will enrich and illustrate the findings from the survey.

## Defining foundations, research and innovation for the purpose of this study

The definitions used in this study are as follows:

### Foundation

There is no common legal definition of a foundation across the EU, as definitions in national laws vary considerably <sup>[1]</sup>. The term ‘foundation’ in Europe can have different meanings due to diverse cultures, historical contexts and legal/fiscal frameworks. Nevertheless, across the foundations in Europe there is a general understanding of what public benefit foundations are, illustrated by a couple of common key features. For the purpose of this study the following functional definition <sup>[2]</sup>, as stated by the European Foundation Center and its members, has been used:

‘Independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programs’.

### Research

For the purpose of this study ‘research’ includes basic and/or applied research projects or programmes covering all thematic aspects of science, technology from social science, the humanities, engineering and technology, to natural science, agricultural science and medical science (including clinical trials phases 1,2,3).

Research-related activities are also covered. These include support for projects/programmes on researcher mobility (career structure and progression), knowledge transfer (including intellectual property rights/patents), civic mobilisation or advocacy (trying to change social opinions and/or behaviors regarding science, including promoting science-related volunteering, or promoting researchers’ rights and social status), infrastructure (laboratories, research centres, pilot or demo plants), the dissemination of research (seminars, conferences, etc.) and science communication (museums and science parks).

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1 See [http://ec.europa.eu/internal\\_market/company/docs/eufoundation/feasibilitystudy\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/eufoundation/feasibilitystudy_en.pdf)

2 European Foundation Centre 2007. Foundations’ legal and fiscal environments. Mapping the European Union of 27. Brussels: European Foundation Centre.

## Innovation

The definition of 'innovation' used in EUFORI Study is based on the definition of the Innovation Union: 'The introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects'.<sup>[1]</sup>

The study primarily focuses on research and innovation (R&I) foundations, which means foundations whose primary objective is to support R&I. Secondly, the study focuses on foundations that partly support R&I, such as foundations that are active in the area of health or in social, economic and political areas and a significant aspect of their budget is focused on research and innovation.

## Structure of report

This synthesis report presents and discusses the findings from the EUFORI Study, based on the data from 29 different countries; 27 EU countries, as well as Norway and Switzerland. For more information we refer to the national reports.

The first introductory chapter sets the stage for the report by discussing the background and relevance of the EUFORI study. In Chapter 2 the main results for the different themes will be discussed. The results will be presented for the total group of foundations, which will be enriched by concrete examples of individual countries/foundations. Chapter 3 focusses on a comparative analysis between the countries. What are the differences between the countries in terms of the R&I performance of foundations and how can these be explained? Chapter 4 outlines the strengths and weaknesses of European foundations supporting R&I. Common patterns in the strengths and weaknesses of foundation sectors throughout Europe are discussed, as well as examples on an organisational level from the national reports. The fifth and concluding chapter reviews the key findings and discusses the main issues that have arisen in the report. The trends and the potential for future developments in this sector will be identified. Taking into account the internal and external factors that influence the performance of R&I foundations in Europe, in Chapter 6 recommendations will be put forward for the future development of this sector.

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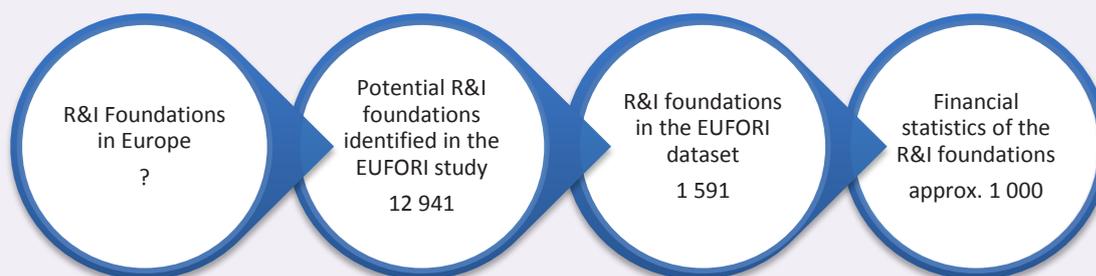
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# 2 Sketching the landscape of foundations supporting R&I in Europe

In this chapter the landscape of foundations supporting research and innovation in Europe will be outlined. With survey responses from 1591 foundations in 29 countries the EUFORI study provides a unique quantitative perspective on the activities of European foundations supporting research and innovation. The goal of this chapter is to present the main results and findings of the total group of foundations participating in the study. For comparative purposes, the European foundation landscape is 'sketched' by making use of the same themes and figures that were presented in the national reports. The quantitative information generated by the data is explained and enriched with illustrative examples from the national reports from individual countries and foundations. Although the focus in Chapter 3 will be on the comparative analysis, in Chapter 2 we will also report some descriptive country differences of the main financial statistics, which are depicted in comparative figures.

## Box 1 Identification of foundations supporting R&I in Europe



An important goal of the EUFORI Study is to identify and build a comprehensive contact database of foundations supporting research and innovation in all the Member States. Due to a lack of systemised and exhaustive data on foundations in many countries the total number of foundations active in the area of research and innovation in Europe is unknown. Following the strategy suggested in the FOREMAP study, the EUFORI Study used data from existing registers and snowball sampling to build a comprehensive database of foundations supporting research and innovation. It turned out that the identification of foundations supporting R&I in Europe was a challenging one. Even in countries with a register or database it was still not easy to create lists, as the databases were not always up to date. The national experts identified more than 12 000 foundations which potentially support R&I. We deliberately say ‘potentially’ as the sample might be blurred by the inclusion of non-existing or non-active foundations.

### *Online survey*

A total of 12 941 foundations, expected to have research and/or innovation in their mission, received an online questionnaire addressing different kind of topics: income, expenditure, focus of support, partnerships, grantmaking policy etc. Detailed information on the response of foundations in the survey can be found in the methodology chapter (annex II). The process of data collection and data cleaning ended with a EUFORI dataset containing information from 1 591 foundations supporting R&I. Financial statistics like income, assets and expenditure were collected from approximately 1 000 foundations as the foundations were sometimes reluctant or not able to provide financial information.

As a matter of fact, the EUFORI Study does not include (figures of) all the foundations supporting R&I in Europe. However, it should be noted that the national experts gathered information about the most substantial part of the R&I foundation sector.

## 2.1 Types of foundations supporting R&I

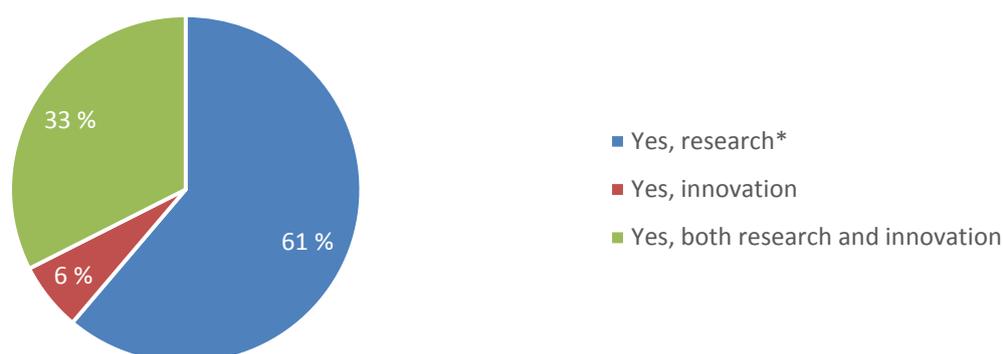
Europe is characterised by a rich tapestry of foundation types representing diverse philanthropic traditions, historical and legal contexts. Foundations supporting R&I range from some very well-known large ones with well-developed grantmaking programmes (e.g. the Wellcome Trust in the UK and the Volkswagen Stiftung in Germany) to small foundations with modest resources and few or no full-time staff (e.g. the Uyttenboogaart-Eliassen Foundation which supports entomological research in the Netherlands). There are a number of ways to categorise foundations supporting research and innovation. Classifications can be made according to the type of founder (private individuals, corporations, nonprofit sector, public sector), modes of operation (grantmaking, operating, mixed), revenue structure (single or multiple funding sources), purpose (single or multiple purposes) and by year of establishment, just to name a few examples.

In this section we examine whether the foundations selected for the EUFORI Study focus on the promotion of research, innovation or both. Moreover, we outline what proportion of foundations is primarily focused on the support of R&I and what proportion of foundations support other purposes as well. What can we say about foundations' activities in terms of grantmaking and/or operating? Finally, we end this section with an overview of the year of establishment of the EUFORI foundations.

### 2.1.1 Research, innovation or both?

Foundations contributing to research and/or innovation are mainly interested in supporting research. 61 % of 1 591 foundations claim to support research only. Only 6 % of foundations exclusively focus on innovation and one third (33 %) of foundations claim to support both research and innovation.

**Figure 2.1: Types of foundation; research and/or innovation**  
As a percentage of the total number of foundations (N=1591)



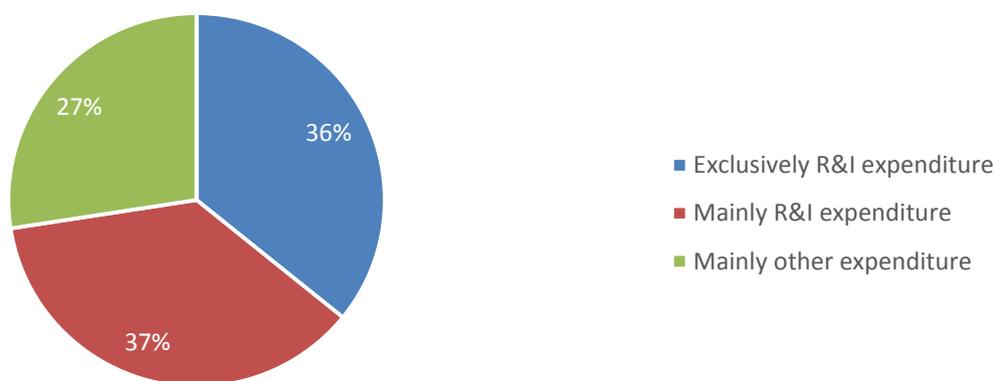
\*Also includes research-related activities as will be discussed in paragraph 2.4.

## 2.1.2 Exclusively R&I or other purposes as well?

When compared to other focus of support areas, the focus of foundations on research and/or innovation is depicted in Figure 2.2. Overall, the distribution is as such that roughly one third of foundations (36 %) focus exclusively on research and/or innovation. 37 % of foundations focus mainly on R&I (meaning that 50-99 % of their total expenditure is directed towards R&I), and the remaining 27 % indicate their support for mainly other purposes (less than 50 % of total expenditure goes to R&I). The biggest spenders on R&I are represented in the red part of the pie (the 'mainly R&I' group); these foundations represent 65 % of the total expenditure on research and innovation. while the 'exclusively R&I' group and the 'mainly other purposes' group, account for 23 % and 12 %, respectively.

**Figure 2.2: Types of foundations according to purpose**

As a percentage of total number of foundations (N=1097)



Approximately two thirds of the EUFORI foundations are not exclusively focused on R&I. Some of these foundations do not even consider themselves as a research and innovation foundation. From the national reports it becomes apparent that within this group of foundations two types might be distinguished. For the first type of foundation research is a purpose next to other purposes; the support for research is part of a foundation's policy, it has a structural character, and the financial means for research are earmarked as such. For the other type of foundation, research activities are seen as supportive of projects in other categories such as international development, engineering or social services. Research is used as a tool/instrument within other projects. The support for research is instead on an ad hoc basis and the financial means for research are not specifically earmarked as such.

The first group of foundations is most likely represented in the red category (50-99 %). This concerns, for example, big health foundations such as the Dutch Cancer Foundation (KWF Kankerbestrijding). They spend a considerable amount of their total expenditure on research each year, yet have other purposes like patient care. The second group is most likely represented in the 'less than 50 % category'. An exception is, however, the Gulbenkian Foundation, which spends less than 50 % of its total expenditure on research, which is a considerable amount of money, given the total budget of this foundation.

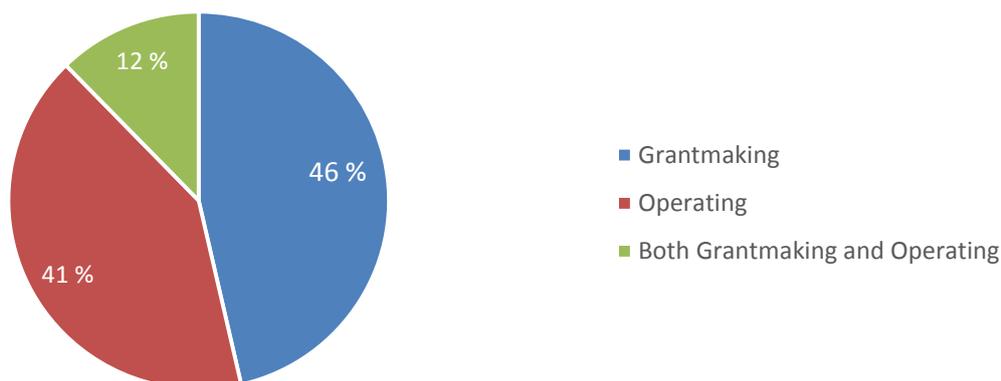
### 2.1.3 Types: Grantmaking versus operating

In the academic literature, one of the foundation typologies is based on the activities of the foundations. A foundation can be, among others, grantmaking, operating, or it could focus on both (mixed foundations). Historically, European foundations were predominantly of the operating kind, with their own programs and projects and with a clear service delivery function (FOREMAP 2009: 17). Examples of these foundations are schools, hospitals and universities (Anheier 2001: 4). Grantmaking foundations are a much more modern 'invention', with their introduction in the 19th and 20th centuries. These foundations are often endowed foundations engaged in making grants for specific projects/purposes (idem: 4). In the US many (large) grantmaking foundations were established in the postwar period due to the accumulation of private wealth, making these foundations typical for the US foundation landscape. In Europe, the same wealth accumulation occurred, thus boosting the number of grantmaking and mixed foundations, but here the foundation landscape is much more diverse as the operating type remains quite popular as well (FOREMAP 2009: 17).

The boundary between grantmaking and operating foundations can be fairly indistinct. In some countries there are clear legal boundaries between the two types, whereas in other countries the situation is more complex. The typology between grantmaking and operating should therefore be understood as a functional typology, based on how foundations perceive their activities, instead of a legal one (Toepler, 1999: 174).

In the EUFORI study, foundations were asked whether their activities are mainly grantmaking or operating (or both). 1 490 foundations provided insight in their type of activities. 47 % of the foundations claimed to be grantmaking only, whereas 41 % of the foundations claimed to carry out just operating activities. The remaining 12 % of the foundations are mixed foundations involved in both grantmaking and operating activities. The EUFORI results confirm that operating foundations are indeed an important feature of the European foundation landscape and still represent a large share of the foundations contributing to research and/or innovation. A well-known operating foundation in this area is Institut Pasteur in France. Grantmaking foundation examples include Alzheimer's Research in the UK, Stiftelsen Riksbankens Jubileumsfond in Sweden and Volkswagen Stiftung in Germany. The Calouste Gulbenkian Foundation in Portugal and the Caixa Foundation in Spain (mixed foundations) carry out their own research programs and give grants to other organisations as well.

**Figure 2.3: Types of foundation; grantmaking versus operating**  
As a percentage of the total number of foundations (N=1489)

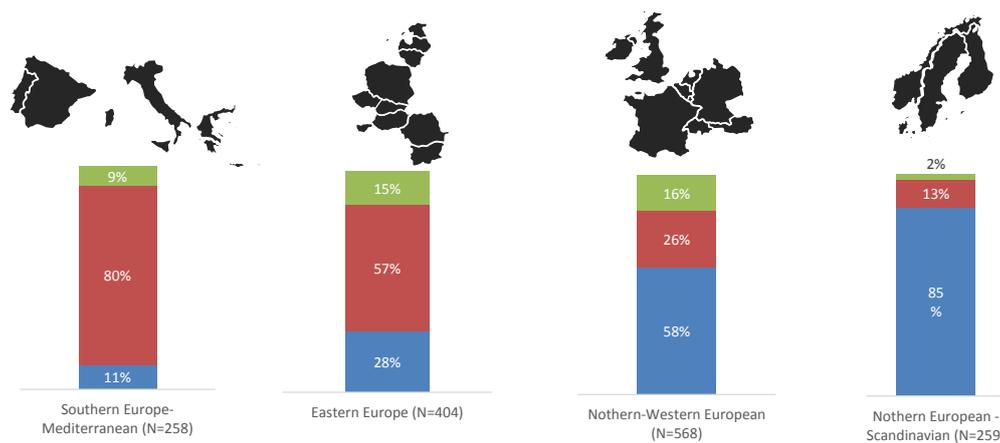
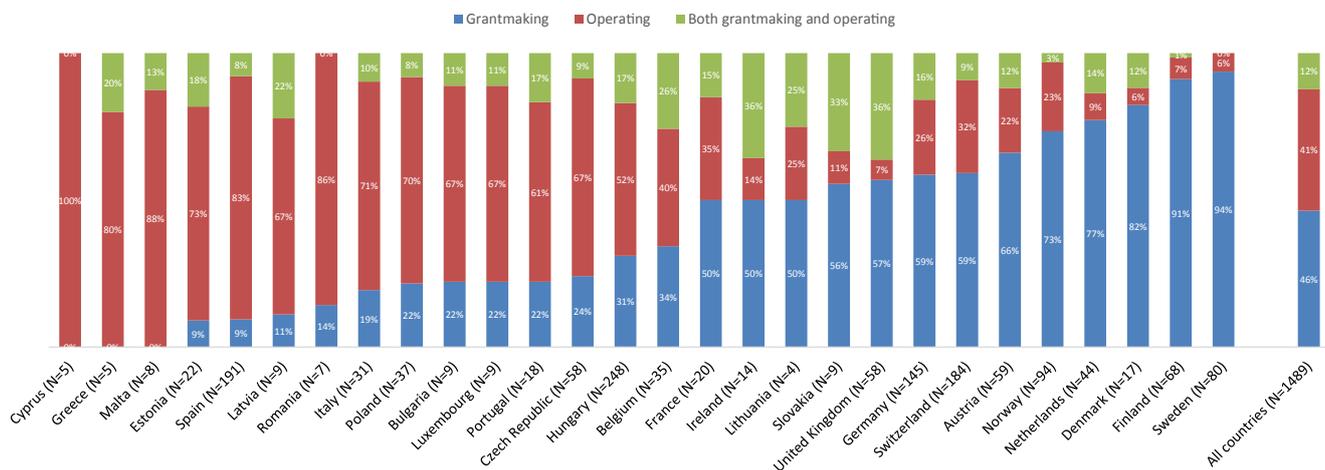


In terms of size, there are interesting differences between the types of foundation. Operating foundations in the EUFORI dataset seem to be much smaller in terms of assets, income and expenditure than their grantmaking counterparts. The average foundation with an exclusive focus on grantmaking activities has an annual income of EUR 21 million, whereas the average operating foundation has an annual income of EUR 5.7 million. There are only 183 mixed foundations in the dataset, but on average this type has the highest income with EUR 28.6 million Euros, which exemplifies that many of the larger foundations in the EUFORI data are foundations that are active both in operating programs and in making grants.

When we look at the division of grantmaking and operating foundations throughout Europe (see Figure 2.4) we can see that the distribution is more complex than is depicted in Figure 2.3. In fact, there are large differences between countries. In countries such as Spain and Estonia the percentage of grantmaking foundations is quite low with less than 10 %. Their share of operating foundations is consequently very high with more than 80 % of foundations operating their own programs. At the other end of the spectrum we find mainly Scandinavian countries with high shares of foundations that focus exclusively on making grants. For both Finland and Sweden the percentage for grantmaking foundations is more than 90 %. The distinct position of these Scandinavian countries suggests a certain regional clustering, as shown in Figure 2.4. Here it becomes apparent that the pattern found in Spain is also present in the other Mediterranean countries, albeit to a lesser extent. In Eastern Europe the contrast is less high but here too the operating foundations easily outnumber the grantmaking foundations. Moving to the north-west of Europe, the division is vice versa, with the majority (58 %) being made up of grantmaking foundations.

The regional division made here is quite arbitrary and the number of observations for each region is not even, which must be taken into account. The clustering shows that groups of countries certainly resemble each other when it comes to the operating/grantmaking divide, but the main conclusion is that there is a typical European diversity between countries and regions when it comes to the presence of operating and grantmaking foundations.

Figure 2.4: Operating versus grantmaking foundations according to country

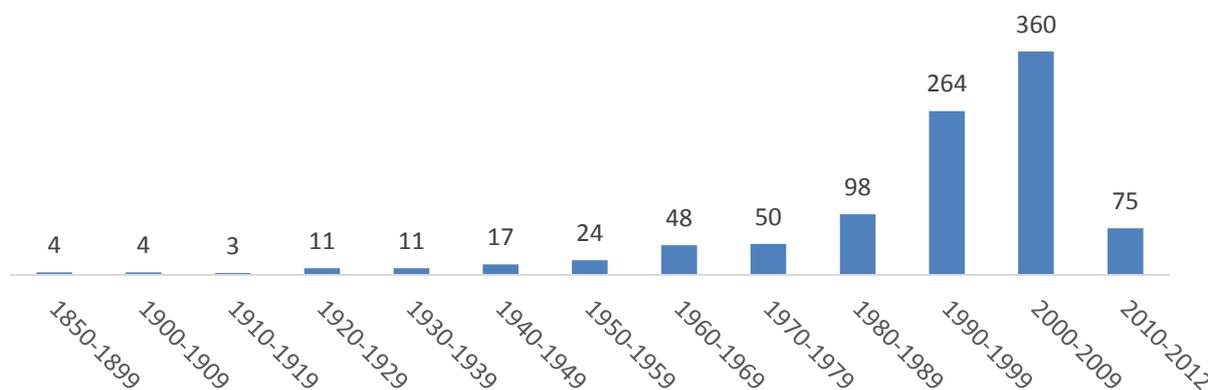


### 2.1.4 Year of establishment

Nearly three quarters (72 %) of the foundations supporting R&I have been established since the year 1990. This especially holds true for Eastern European countries, where it was not possible to set up a foundation under the Communist regimes. After the fall of Communism the growth of new foundations started gradually in these countries. In the UK, however, there is a much longer history of foundations supporting R&I. 40 % of the UK foundations in the EUFORI sample were established before 1949.

Figure 2.5: Year of establishment according to decade

Number of foundations according to decade (N=969)



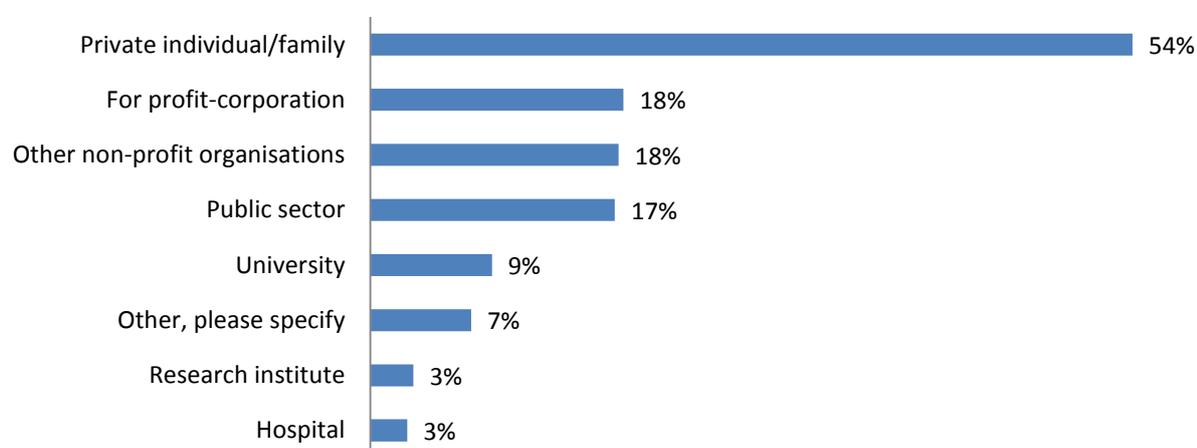
## 2.2 Origins of funds

### 2.2.1 Financial founders

The majority of foundations in the sample were (financially) set up by private individuals/families (54 %). Examples of these foundations can be found all across Europe. The Willy Scharnow-Stiftung für Touristik (Willy Scharnow Foundation for Tourism <sup>[1]</sup>) was founded by Willy Scharnow, one of the founders of TUI. The aim of the foundation is to bring people and nations closer by providing grants to scholars in the tourism sector. Individuals are followed by for profit corporations, which play a role in 18 % of the foundations that are active in R&I. Other nonprofit organisations (18 %) and organisations from the public sector (17 %) are also mentioned frequently as financial founders. Universities (9 %), research institutes (3 %) and hospitals (3 %) are named much less frequently.

**Figure 2.6: Financial founders**

As a percentage of the total number of foundations, multiple answers possible (N=1151)



It should be noted, however, that in most countries, no initial starting capital for foundations is required by law. On the other hand, there are countries where the authorities require that the foundation possesses a sufficient amount of capital to fulfil its purposes. In the last category, we find countries where start-up capital is required by law. According to the EFC, this is the case for Austria (for private foundations), the Czech Republic (not for endowment funds), Denmark, Finland, Malta, Romania, Slovakia and Spain. A special case is France, where, in practice (not required by law), start-up capital of up to EUR 1 million may be required by the authorities. Other countries such as Bulgaria, Cyprus, Estonia, Ireland, Latvia, Lithuania, the Netherlands, Poland, Slovenia, Sweden and the UK (charitable companies) do not require a minimum capital (European Foundation Centre, 2011). In these countries in particular, the legal founder of a foundation could be different from the founder that provided the initial funds to start that foundation. In other words, for foundations in some countries it was therefore not possible to distinguish the legal founder from the financial founder.

1 See [www.willyscharnowstiftung.de](http://www.willyscharnowstiftung.de)

In most cases, these foundations are set up by individuals alone. If they do collaborate with others in setting up a foundation, for-profit corporations and other nonprofit organisations are named most frequently. Compared to individuals, for-profit corporations form alliances more regularly. Private individuals/families are mentioned as partners in founding a foundation, but also the public sector and other nonprofit organisations can be found as combined founders. Furthermore, if we regard the relatively small number of universities that were mentioned as financial founders (99), it is interesting to note that 27 foundations were financially set up by a combination of at least one for-profit corporation and a university.

A number of examples of foundations that have been financially set up by a for-profit corporation and a university can be found in Spain. For example, the CTAG Foundation <sup>[1]</sup> aims to make automotive companies more competitive through the implementation of new technologies and the encouragement of research, development and innovation. But also the CIRCE foundation, founded by the University of Zaragoza, the Endesa group (known for Enel, one of Europe's largest utility companies), and the authorities of Aragon make up an example of a joint initiative, aimed at creating and developing innovative solutions and scientific/technical knowledge and transferring them to the business sector in the energy sector <sup>[2]</sup>.

Among the most popular combined founders of foundations, we find public sector organisations and other nonprofit organisations. Out of the 1 151 respondents that answered this question, 161 mentioned another nonprofit organisation as the co-founder of their foundation, and public sector organisations were mentioned 160 times. The abovementioned CIRCE Foundation can be regarded as an example where a public organisation acted as a joint (financial) founder. For other further examples, please refer to the country reports.

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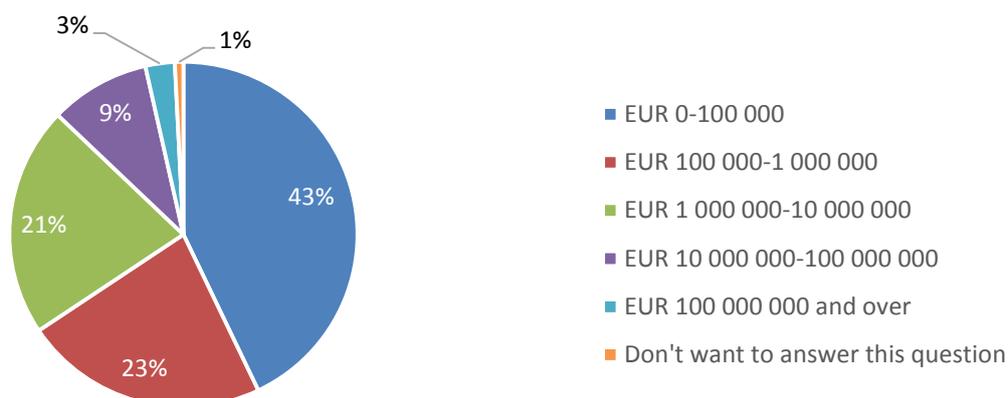
1 See [www.ctag.com](http://www.ctag.com)

2 See [www.fcirce.es](http://www.fcirce.es)

## 2.2.2. Income

**Figure 2.7: Total income according to categories in Euros, 2012**

As a percentage of total number of foundations (N=1137)



Statistics income	
Number of foundations	1 134
Mean in Euros	15 993 318
Median in Euros	225 775
<b>Total income in Euros</b>	<b>18 136 422 342</b>

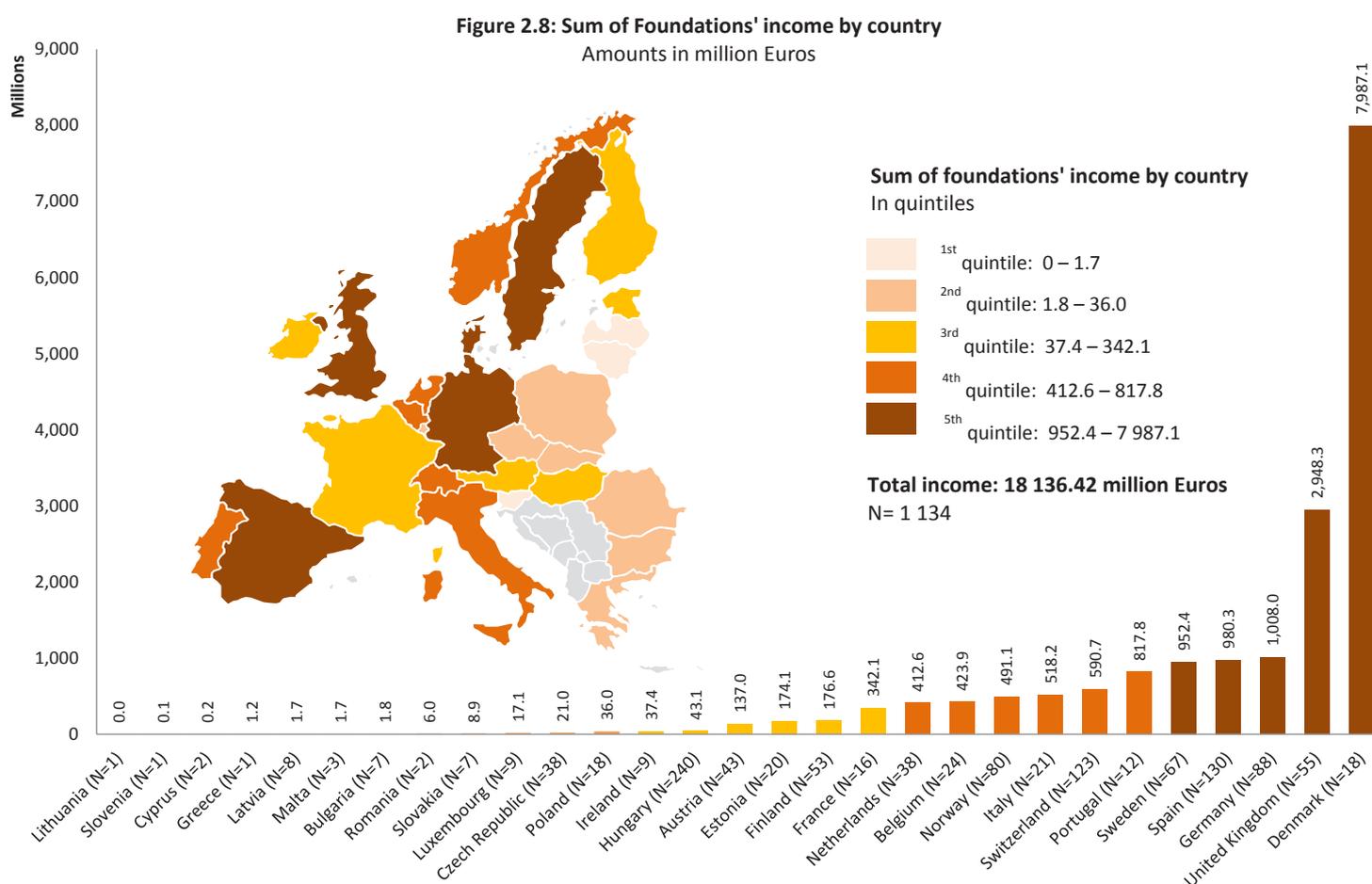
As shown in the above figure, we find that the distribution of income from foundations is highly skewed. The landscape of European foundations supporting research and innovation consists of a large number of small foundations in terms of annual income. To be more specific, two out of three foundations have an annual income of less than EUR 1 million per year, and 43 % of the foundations have an annual income of less than EUR 100 000. The skewness of the distribution in income becomes clear if we take a look at the difference between the average amount of income and the median amount. The mean income of the foundations in the sample is almost EUR 16 million, compared to EUR 225 775 for the median.

In Figure 2.8 the foundations' combined income according to country are presented. The countries are divided into quintiles and the absolute aggregate amounts are presented in the ascending bar chart. When we compare the amounts with each other a few observations can be made. First of all, the skewness that was visible between the different income categories can also be found between countries, as illustrated by the large differences. In the top quintile the most notable anomaly is the combined income of the Danish foundations with nearly EUR 8 billion. It is worth noting that there are only 18 Danish foundations that reported on their income which implies that their average income is EUR 444 million Euros. This high average income can be explained by the selection of Danish foundations for this study as only the largest foundations in terms of equity were included in the study.

Other countries in the highest quintile are the United Kingdom, Germany, Spain and Sweden. Together, the Danish and British foundations account for more than half of the total income of all foundations in the EUFORI data.

A second distinctive feature arises from the geographical representation of the quintiles. The highest quintiles mainly contain countries from the northern, western and southern European regions. The Eastern European countries are mainly represented in the 1st and 2nd quintiles. This regional division also recurs in the country comparisons of foundations' assets and expenditure and seems to be a legacy of their Communist period, when foundations were generally abolished and it was not possible to set up new foundations.

Notable exceptions in the regional distribution are Hungary and Estonia, which are the only Eastern European countries present in the 3rd quintile. In Hungary this ranking is caused by the high number of Hungarian foundations that originate from a rich philanthropic tradition and a large nonprofit sector. The position of Estonia, on the other hand, can mainly be explained by two foundations that together are responsible for 84 % of the total income of Estonian foundations.



From the collected data, we find that 3 % of the foundations have an income of more than EUR 100 000 000. Most of these multi-million foundations can be found in the United Kingdom (8) Denmark (5) and Germany (4), but in most European countries there are only one or two of these big foundations, and in most countries they are even absent. Two Danish industrial foundations (see the country report on Denmark for a detailed description of industrial foundations), namely the pharmaceutical-based Lund

beckfonden (or Lundbeck Foundation) and the insurance company Tryghedsgruppen (or Tryg Foundation), reported an income of EUR 3.8 billion and EUR 3.0 billion and are by far the largest foundations in terms of income.

## Sources of income

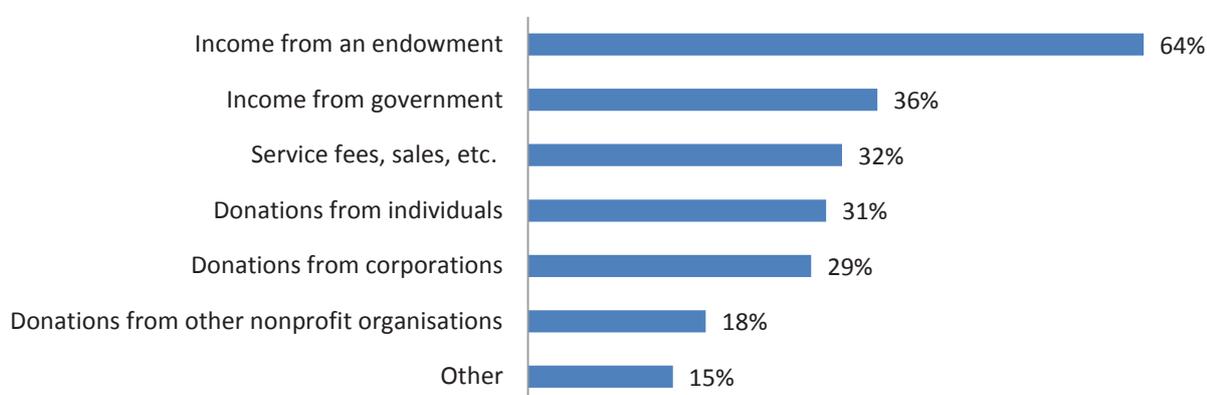
European foundations in the area of research and innovation get their income from a variety of sources. In Europe, 63 % of the foundations can be regarded as 'classic foundation'. By classic foundation, we mean that they derive (part of) their income from the proceeds of endowments or funds. Indeed, proceeds from an endowment are by far the most common source of income of foundations. It is interesting to notice that there is no other source of income that stands out in terms of being frequently mentioned by the foundations in the EUFORI study sample. Income from government, be it structural or contractual, is only mentioned 4 % more frequently than income from service fees and/or sales. Moreover, donations from individuals are mentioned by 31 % of the respondents as a source of income, and donations from corporations by 29 %. Only, donations from other nonprofits are less common, as they are mentioned by 18 % of the respondents.

While 29 % of the foundations in the study claim to have received income from corporations, these donations only account for 5 % of the total (known) income. Even greater is the difference for donations from other nonprofit organisations, which were reported by 18 % of the foundations, but account for only 1 % of the amount. This indicates that the amounts acquired from these sources of income are small.

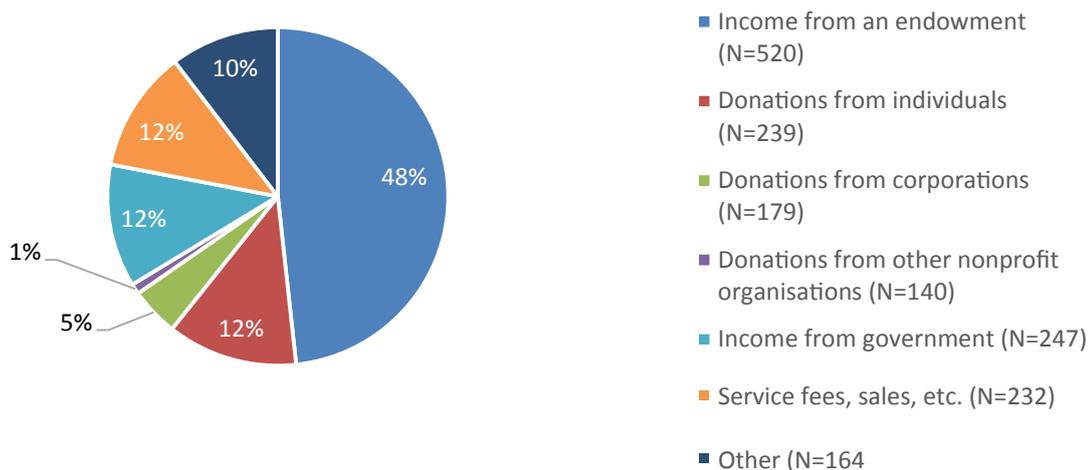
A small minority of the foundations name 'other' as a source of income. Sources of income that are mentioned under this category are diverse. For example, some income is derived from renting out property. This category of 'other' income was mentioned in particular by German foundations. Other sources of income that were mentioned were subscriptions (which might not fall under service fees and/or sales), income from lotteries or actions by third parties (e.g. in the Netherlands), and income derived from tax facilities (e.g. in Hungary).

**Figure 2.9: Sources of income**

As a percentage of total number of foundations (N=1378)



**Figure 2.10: Sources of income**  
As a percentage of total (known) income



Source of income	Amount in Euros
Income from an endowment (N=518)	6 380 795 156
Donations from individuals (N=237)	1 636 499 264
Donations from corporations (N=178)	611 576 178
Donations from other nonprofit organisations (N=140)	133 832 145
Income from government (N=247)	1 561 463 166
Service fees, sales, etc. (N=231)	1 538 062 507
Other (N=164)	1 364 658 067
Unknown	4 914 318 229
<b>Total income</b>	<b>18 141 204 713</b>

### Income from an endowment

As previously stated, income from an endowment was mentioned by 64 % of the respondents in the EU-FORI Study sample. Also, if we look at the amounts of income that are derived from the different sources of income, endowments account for the largest share of foundations' income. Named by 518 of the respondents, proceeds from endowments account for 48 % of the total amount of the known income of European R&I foundations.

Among the foundations that derive income from an endowment, we see differences in the source of the endowment and the way they treat the endowment. Foundations can have one or multiple financial founders, but they can also have one or more sources of endowment. The majority of foundations that derive income from an endowment were endowed by a donation of money from the initial founder. These foundations may have received a large sum of money, most commonly from private individuals or families, or from a for-profit company. The Vienna Science and Technology Fund is an example of the latter, which

received its original endowment from an Austrian bank <sup>[1]</sup>. A foundation that received its endowment from an individual is, for example, the Germany-based Gerda Henkel Foundation.

The Gerda Henkel Foundation was established in June 1976 by Lisa Maskell in memory of her mother Gerda Henkel. The sole object of the Foundation is to promote science at universities and research institutes, primarily by supporting specific projects in the field of the humanities that have a specialist scope and are limited in terms of time <sup>[2]</sup>. A special concern of this Foundation is the advancement of postgraduates. The foundation is active both inside and outside Germany. As well as a direct financial donation, Lisa Maskell also donated a part of her Henkel shares to the Foundation, together with real estate. Today, 81 % of the asset value of the Foundation is based on the value of the Henkel shares.

Another frequently mentioned source of an endowment is a bequest or legacy. Another German foundation serves as an example of how a legacy may become a source of income for a foundation. As founder of the German newspaper 'Die Zeit', Gerd Bucerius founded the ZEIT-Ebelin and Gerd Bucerius Foundation and left his entire fortune to it. Today, the Foundation has assets of more than EUR 766 million and donates around EUR 10 million per year to research <sup>[3]</sup>.

Most foundations are created in perpetuity. These foundations only use the income from their capital to support their activities or to fund their projects and keep the original endowment to generate income. In the EUFORI Study, 482 respondents indicated that their endowment was created in perpetuity. However, this does not necessarily mean that the endowment should remain stable. On the contrary, 203 respondents indicated that the endowment was expandable at the trustees' discretion, while 107 respondents answered that it was possible to spend down their endowment.

However, it must be noted that a large percentage of the total income of the foundations could not be categorised by the respondents. Out of the reported EUR 18.1 billion of income, slightly more than EUR 4.9 billion could not be categorised. A possible explanation could be that the respondents were not able to classify their sources of income in monetary terms, but also that these respondents were not willing to disclose this information. Nevertheless, out of the remaining EUR 13.2 billion, 48 % is thus from the proceeds of endowments. Hence, contrary to the classic private foundation where proceeds from endowments form the single source of income, most income from R&I foundations in Europe come from other or multiple sources of income.

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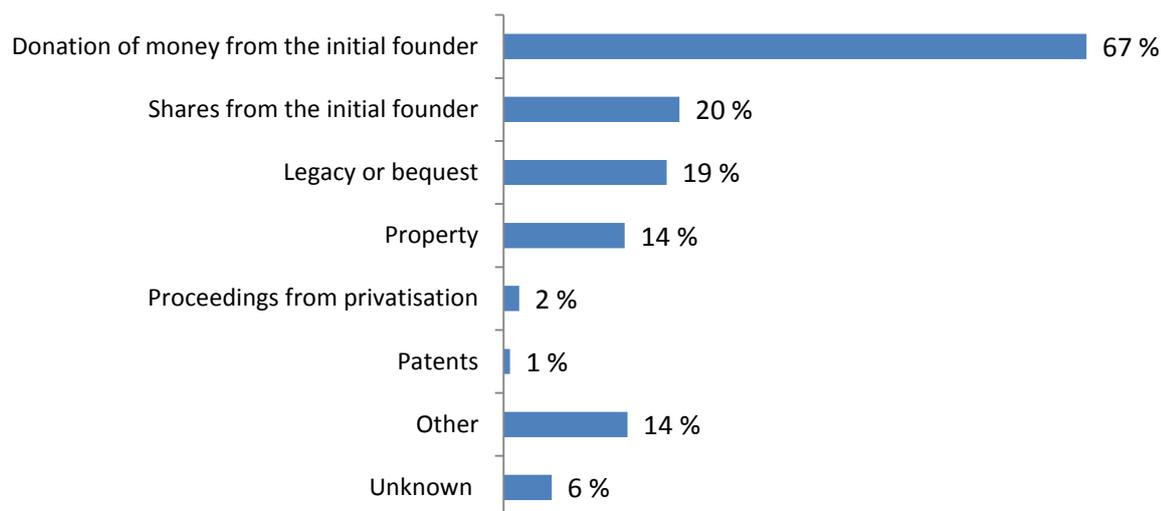
1 See [www.wwtf.at](http://www.wwtf.at)

2 See [www.gerda-henkel-stiftung.de](http://www.gerda-henkel-stiftung.de)

3 See [www.zeit-stiftung.de](http://www.zeit-stiftung.de)

### Figure 2.11: Origins of endowments

As a percentage of the total number of foundations (N=668)



### Income from government

Another source of income that deserves attention is income derived from the government. Around 36 % of the foundations receive money from their government, with a total of slightly over EUR 1.5 billion. For some foundations, income from the government forms by far the most important source of income. Moreover, although these foundations are independent, it seems that for a very small percentage the government has a major influence on the decision-making process concerning the allocation of the foundations' R&I funds. The foundations were asked to scale the influence of the government on their decision-making processes with a number from 0 (not influential) to 10 (totally influential). About 20 % of the 310 foundations receiving government money reported that the government has an influence (a scale of 6 and higher) on the decision-making processes. 18 foundations reported that the government is highly influential regarding their decision making. The goal of the EUFORI Study is to map out the contributions of independent foundations to research and innovation in the EU. If a foundation were nothing more than a conduit for government subsidies, the degree of independence of these foundations could be seriously questioned.

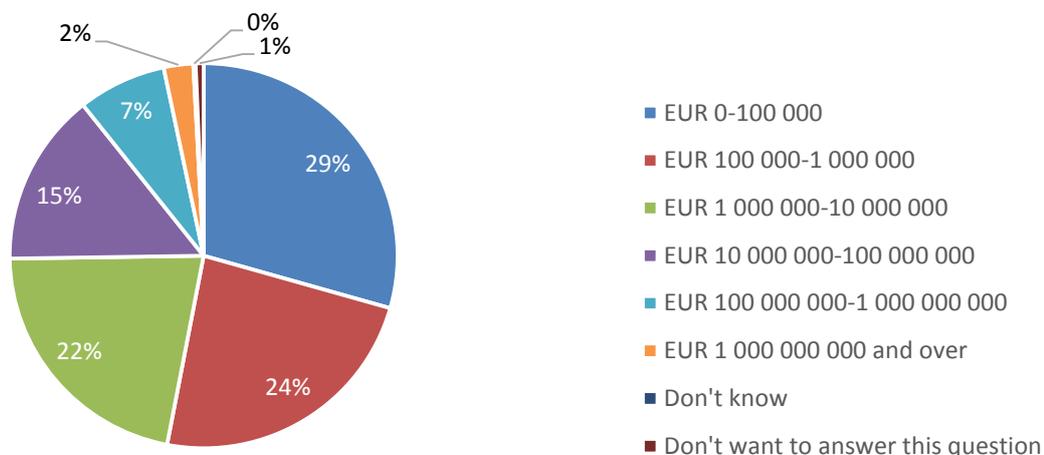
### 2.2.3 Assets

From the EUFORI study we find collective assets of nearly EUR 127 billion based on the financial data of 1 052 foundations contributing to research and innovation. This number should be considered as a lower bound estimate since not all foundations participating in this study provided information on their financial assets. On the other hand, information on the assets of the largest foundations contributing to R&I has been included, thanks to additional information from publicly available annual reports. What does this lower bound tell us about the economic weight of these foundations? Estimations of the collective assets of European foundations are quite rare, but the Heidelberg Centre for Social Investment reported in their Feasibility Study on a European Statute (2007) that the total assets of European (EU27) foundations range between EUR 350 billion and EUR 3 trillion. This is a rough estimate, but it demonstrates that the economic weight of the assets of foundations participating in the EUFORI study is very substantial. Consid

ering that the EUFORI data only feature a subset of all the European foundations and, moreover, that only a part of these foundations participated in this study, the reported EUR 127 billion is quite high.

**Figure 2.12: Total assets according to category in Euros, 2012**

As a percentage of total number of foundations (N=1058)

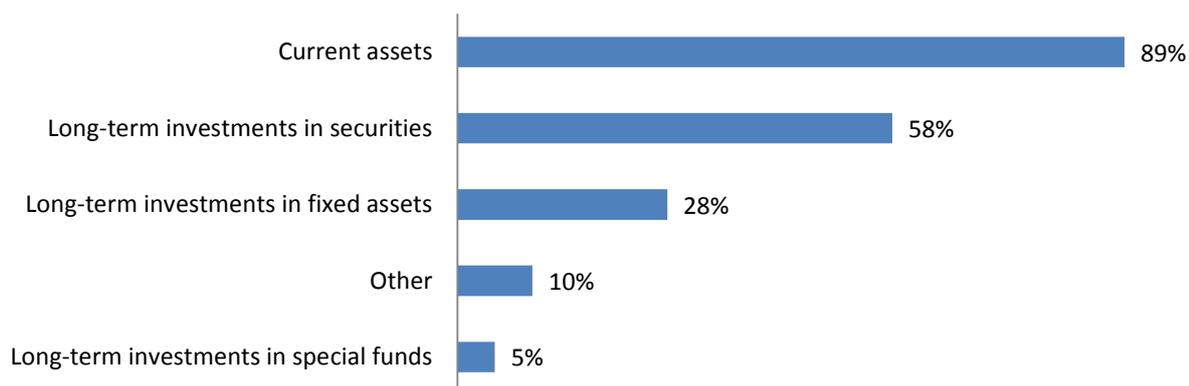


Statistics Assets	
Number of foundations	1 052
Mean in Euros	120 467 020
Median in Euros	765 989
Total assets in Euros	126 731 305 534

In terms of assets, there is quite some variation in the size of foundations in the EUFORI dataset (see Figure 2.12). The majority of foundations (53 %) are smaller foundations with an asset value of less than EUR 1 000 000. Nearly 10 % of the foundations report an asset value of over EUR 100 000 000. These top 10 % foundations consist of 102 foundations that together are responsible for 95 % of the EUR 127 billion reported in the EUFORI study.

**Figure 2.13: Types of assets**

As a percentage of the total number of foundations (N=734, multiple answers possible)



**Figure 2.14: Distribution of Assets**

As a percentage of total (known) assets



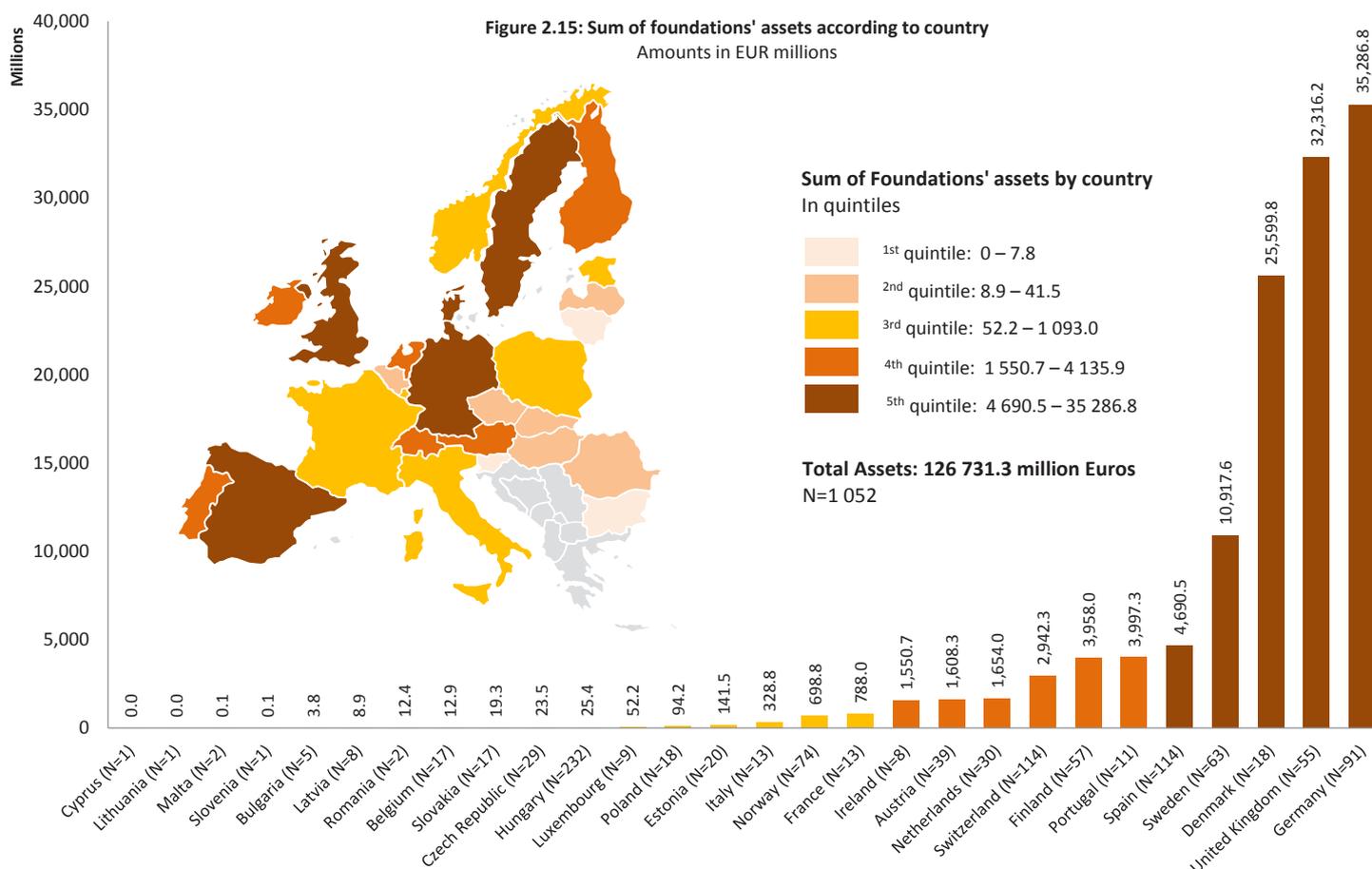
Distribution of Assets	Assets in Euros
Current assets (N=640)	3 773 812 635
Long-term investments in securities (N=678)	41 762 681 090
Long-term investments in fixed assets (N=705)	2 484 530 594
Long-term investments in special funds (N=728)	47 245 197
Other (N=726)	2 262 666 337
Unknown	76 400 369 681
<b>Total assets</b>	<b>126 731 305 534</b>

Looking at the distribution of assets we can note that nearly all foundations (89 %) specified (see Figure 2.13) at least some of their assets as current assets (meaning cash and other assets that can be converted into cash or consumed in the short term, without affecting the normal operations of the organisation). The most popular type of long-term investment is in securities (e.g. bonds, common stocks and/or long-term notes). 58 % of the foundations reported this type of investment. A little more than a quarter (28 %) of foundations have investments in fixed assets (e.g. land and/or buildings) and only 5 % reported long-term investments in special funds. Other types of assets that are mentioned by foundations are machines and equipment, hedge funds and works of art.

When we consider how the assets are distributed (see Figure 2.14) more than 80 % of the reported allocated assets consist of long-term investments in securities. Only 8 % of allocated assets were specified as current assets. Not surprisingly, the smaller foundations with assets of between EUR 0 and 100 000 reported that on average about 75 % of their assets were current assets. As expected, this percentage decreases as the assets of the foundations increase. The richest 12 foundations in terms of assets only hold 5 % on average in current assets. The bulk of their assets can be specified as long-term investments in securities which account for roughly half the total amount reported in this category, once more demonstrating the previously mentioned skewness in the data.

Due to omitted answers a fair amount of the EUR 127 billion in total assets could not be allocated. Therefore, this distribution is less reliable and we can only draw conclusions about the amount of assets that was specified in the data.

Figure 2.15 shows the total amounts of foundations' assets according to country. Again, the differences between the aggregate amounts are considerable. The top quintile consists of Germany, the United Kingdom, Denmark, Sweden and Spain, and although the first three countries are within range of each other, the skewness is astonishing. The aggregate asset amounts of the German foundations are about 10 times those of the Spanish foundations' assets. However, it must be considered that the total amount for each country does not provide an insight into their foundation sectors. Ireland, for example, is in the 4th quintile with EUR 1 551 million in total assets. However, nearly 97 % of the assets (EUR 1 500 million) are accounted for by a single foundation: Atlantic Philanthropies. The bad news for the Irish foundation sector is that Atlantic Philanthropies is a spend-down foundation and will cease their active grantmaking activities in 2016. This example shows how the dominance of wealthy foundations within countries can influence the bigger picture.



## 2.3 Expenditure

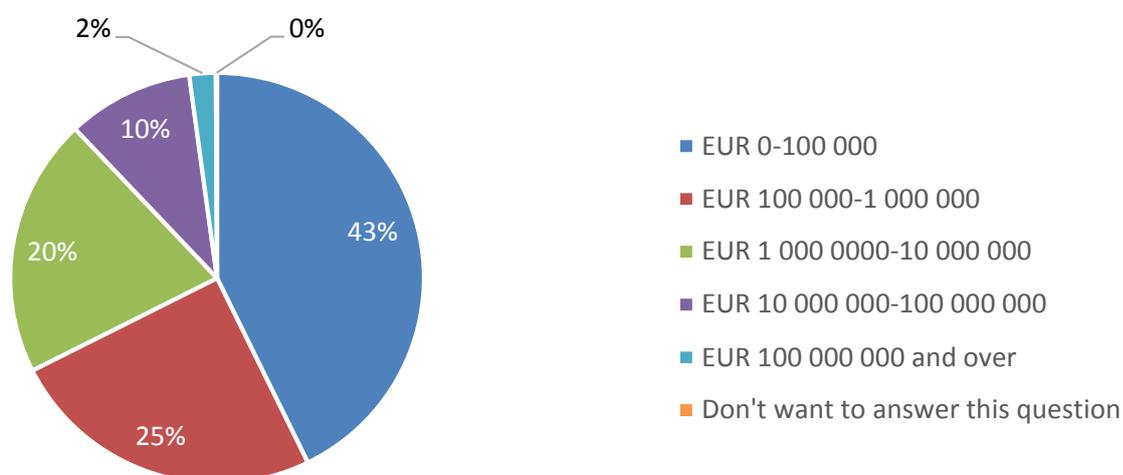
### 2.3.1 Total expenditure

In total, 1 117 foundations reported on their total expenditure. This total expenditure included expenses on research and innovation, but it can also include other purposes since many foundations do not have an exclusive focus on research and/or innovation.

The total expenditure of these foundations is just over EUR 10 billion. The mean amount foundations spend is nearly EUR 9 million, whereas the median amount is EUR 200 000. The large difference between the mean and median value demonstrates the skewness in foundations' expenditures. A few very large foundations are responsible for the lion's share of expenditure. Figure 2.16 shows the distribution of the expenditure between different categories. 43 % of the foundations are smaller foundations ranging from EUR 0-100 000 in terms of expenditure. Only 2 % of foundations (22 foundations) have a total expenditure of over EUR 100 million. However, these 22 foundations are responsible for 56.7 % of all expenditure. The highest amount reported in the dataset is slightly over EUR 1 billion, which is contributed by a single British foundation (the Wellcome Trust).

**Figure 2.16: Total expenditure according to category in Euros, 2012**

As a percentage of total number of foundations (N=1113)



Statistics expenditure	
Number of foundations	1 117
Mean in Euros	8 964 486
Median in Euros	200 000
Total expenditure in Euros	10 013 330 486

## Box 2 Skewness

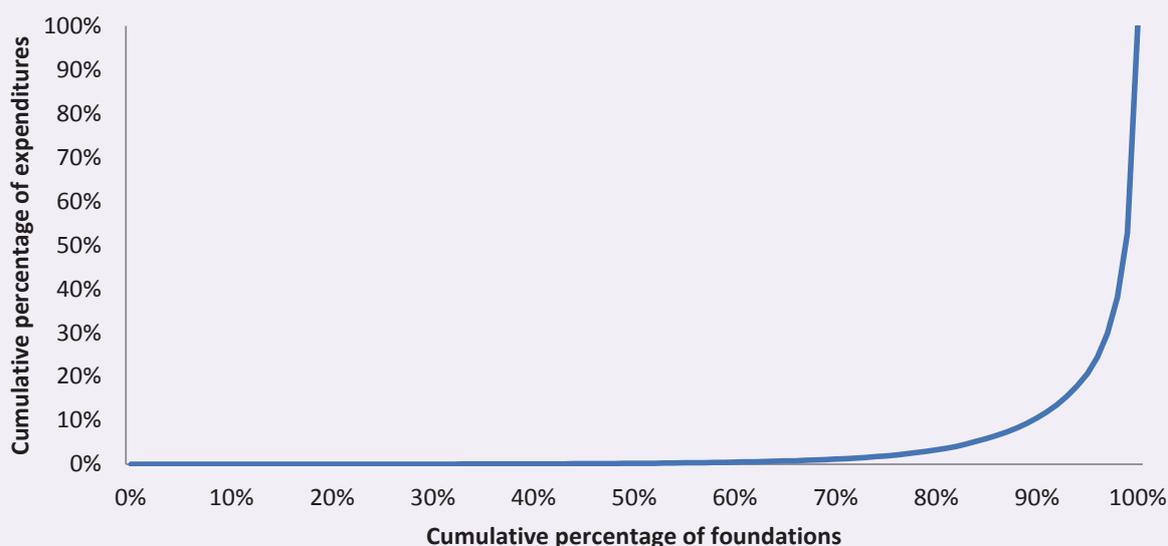
In the statistics of the EUFORI study a recurring pattern can be found: a small number of foundations are responsible for a large share of income, assets and expenditure. When it comes to the expenditure on R&I, for example, there are 991 foundations in the dataset that provided a specification of their expenditure on R&I. The skewness of the R&I expenditure distribution of the EUFORI data is shown in the figure below.

If the R&I expenditure were perfectly proportioned, the cumulative percentage of the foundations would match the same percentage of cumulative expenditure and the line would be perfectly diagonal. In the EUFORI data we find a heavy asymmetry, which appears to be typical for the foundation landscape, but should be taken into account in an analysis of the statistics.

Of the 991 foundations there are 11 foundations (1 % of foundations) with R&I expenditures of over EUR 100 million. These 11 foundations together are responsible for EUR 2.5 billion in R&I expenditure, meaning that they cover about 50 % of the total R&I expenditure. The top 1 % thus accounts for 50 % of the expenditure. The top 10 % of foundations accounts for 90 % of total R&I expenditure.

This pattern of asymmetry is found throughout the data and is therefore also noted in the national reports when discussing the main statistics of the countries' foundations.

**Box 2 figure: Skewness in R&I expenditure**



### 2.3.2 Foundations' expenditure on research and/or innovation

For the distribution of total expenditure the majority, around 61 %, is directed towards research and only 7 % towards innovation. One third of the total expenditure of the EUFORI foundations is destined for other purposes. It should be noted that some foundations reported their total expenditure, but failed to make a subdivision in terms of research, innovation and other purposes. In all, more than 25 % of the total expenditure was not assigned to any of the categories. The expenditure going to research, innovation and other purposes can therefore be interpreted/understood as a lower bound estimate.

**Figure 2.17: Distribution of total expenditure according to research, innovation and other purposes**

As a percentage of total known expenditures (N=991)



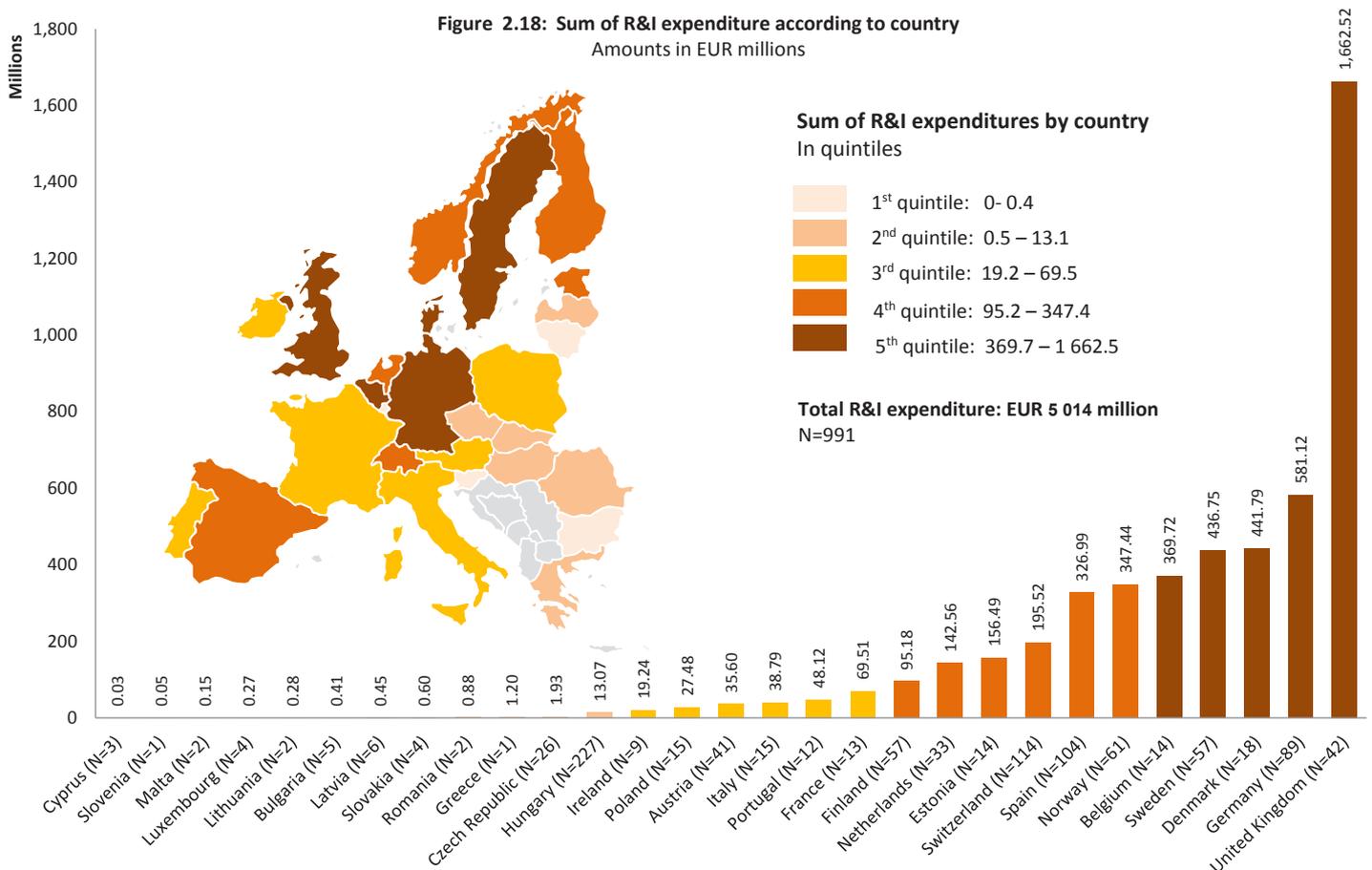
Expenditures	# of foundations reporting contributions	Total Amount	Mean amount	Median amount
Expenditure on research	909	4 501 766 122	4 952 438	83 880
Expenditure on innovation	281	512 376 217	1 823 403	112 397
Expenditure on other purposes	513	2 347 487 602	4 575 999	81 840
Unknown	-	2 648 345 421	-	-
<b>Total expenditure</b>	-	<b>10 009 975 363</b>	-	-

#### Expenditure on research

909 foundations provided data on their research expenditure. Collectively, they contribute EUR 4.5 billion to research. The mean amount the foundations in the EUFORI data contribute to research is EUR 4.95 million, whereas the median amount is substantially lower at EUR 83 880. The highest amount contributed to research by a single foundation is EUR 623 million. The skewness of the data mentioned above is also apparent here. The mean values are heavily influenced by extreme values, which also becomes apparent when we look at the country comparison. Figure 2.18 shows a country comparison of the expenditure on research and innovation.

When the aggregate amounts foundations contribute to research and innovation in each country are compared, the top countries contributing to research are the United Kingdom, Germany, Denmark and Sweden. The figure below shows that there are huge differences between countries. This is especially apparent in the 5th quintile, which ranges between EUR 370 million and 1.67 billion. It should therefore be noted that these country comparisons are also heavily influenced by the top very large foundations. The UK, for example, is the top contributor, but this is mainly due to the largest research foundation in the dataset: the Wellcome Trust. This foundation by itself is responsible for 44 % of all research expenditure in the UK, and would rank 2nd place in Europe if was considered a country in itself. The average amount foundations spend on research in the UK would drop from EUR 116 million to 19 million if the Wellcome Trust were excluded from the analysis. The same situation is true in other countries. In Portugal, the Gulbenkian Foundation is the main contributor to research, responsible for 50 % of the country's foundation expenditure on research.

The foundation landscape therefore has many smaller foundations which are somewhat overshadowed by the statistics of the foundations in the highest category. Nonetheless, it is clear that these giant foundations are very important in terms of supporting and stimulating research in Europe.



## Expenditure on innovation

In the EUFORI survey foundations were asked to specify the percentage of their total expenditure destined for the support of innovation. Compared to their research expenditure, foundation's contributions to innovation are quite modest. The 281 foundations reporting their innovation spending contribute approximately EUR 500 million, meaning that of the total of EUR 5 billion for R&I a little more than 10 % goes to innovation.

Foundations supporting innovation without contributing to research are quite rare (N=101). These foundations are typically 'smaller' in terms of resources. Their income is substantially lower compared to foundations supporting both research and innovation, or compared to foundations supporting research only. The main countries with foundations contributing to innovation are the United Kingdom, Spain and Switzerland.

### Box 3: Innovation

Innovation as a concept is much more difficult to grasp than research. It is, however, a concept that often resonates in the description of foundations' roles. From earlier research (Anheier and Daly 2006: 205) we learned that even foundations that identified themselves with innovation questioned the meaning of the concept and wondered what it meant to be innovative. In reality research and innovation are often intertwined, which also makes it difficult to analyse these two areas separately.

The definition of Innovation used in EUFORI Study is based on the definition of the Innovation Union: 'The introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects'.

Even though not all foundations in the EUFORI study support innovation, this does not mean that they are not innovative in their operations and grantmaking activities. In the national reports examples of foundations' innovative practices are mentioned. These innovative practices can include examples of successful partnerships, innovative initiatives, projects engaging the public's interest in research, pilot and demonstration projects, and the introduction to the market of new products, methodologies, services and/or technologies.

### 2.3.3 Basic versus applied research

Taking a closer look into how the money is spent in the category of research it appears that 83 % of the EUFORI foundations have a focus on applied research (aimed at acquiring new knowledge with a particular application or use intended) while 61 % support basic research (aimed at acquiring new knowledge with no particular application or use intended). It is difficult to draw conclusions in terms of expenditure destined for both areas of research as more than 50 % of the total expenditure on research could not be assigned to these areas. However, figures tend to show an equal distribution of expenditure on basic and applied research.

Distribution of expenditure on research	Amount in Euros	%
Basic research (N=610)	1 077 808 364	24 %
Applied research (N=616)	1 003 178 304	22 %
Unknown	2 420 779 454	54 %
<b>Total expenditure on research</b>	<b>4 501 766 122</b>	<b>100 %</b>

### 2.3.4 Direct research versus research-related activities

By dividing the category of research into direct research versus research-related activities (e.g. the support for researcher mobility, knowledge transfer, the dissemination of research and science communication) results show that a greater share of the total expenditure on research is destined for the research activities themselves. Research-related activities are supported with much smaller amounts of money.

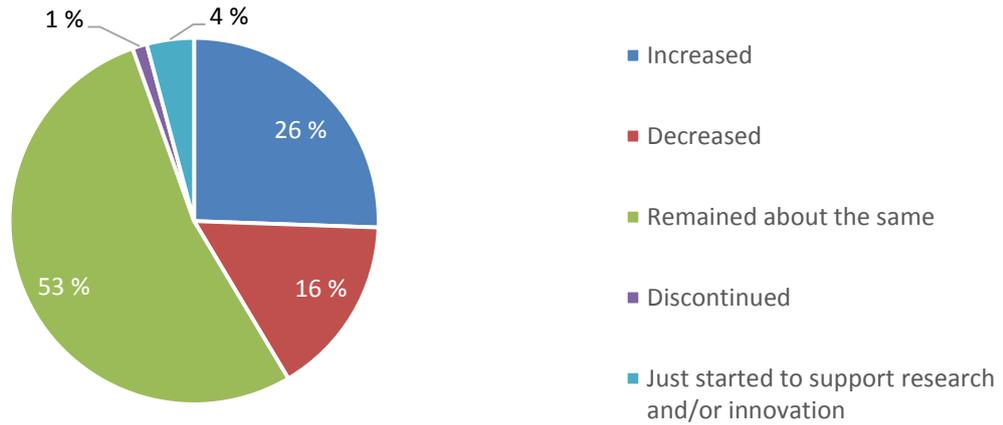
Distribution of expenditure on research	Amount in Euros	%
Direct Research (N=629)	2 087 215 339	46 %
Research Related (N=636)	636 196 975	14 %
Unknown	1 778 353 809	40 %
<b>Total expenditure on research</b>	<b>4 501 766 122</b>	<b>100 %</b>

### 2.3.5 Changes in R&I expenditure

Compared to the previous year, many foundations report positive findings. More than a quarter (26 %) of the 943 foundations reported that their expenditure on research and/or innovation had increased. A slight majority (53 %) expected their expenditure to remain unaltered compared to the previous booking year (2011). 17 % of foundations reported less positive findings: 150 foundations (16 %) indicated that their expenditure had decreased, and in 12 cases the expenditure had been discontinued. The expectations for the following year were also slightly optimistic. A quarter of the 915 foundations expected an increase in their R&I expenditure. A large majority (61 %) expected that their expenses would remain the same. Only 12 % expected a decrease in their expenditure, and 20 foundations (2 %) expected their expenditure to R&I to cease.

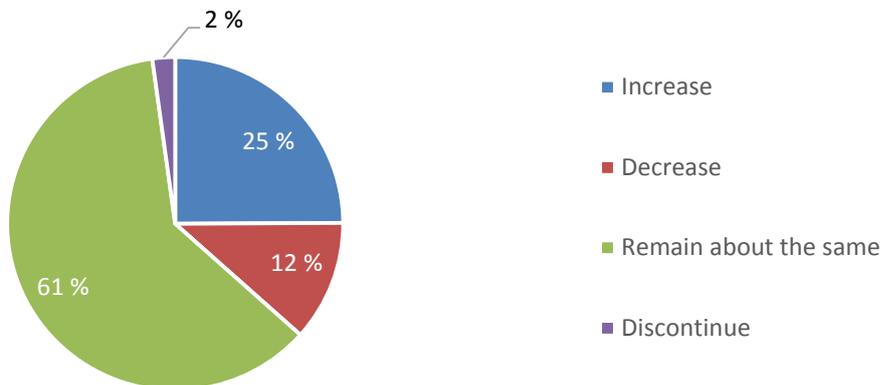
**Figure 2.19: Changes in expenditure on research and innovation compared to the previous year**

As a percentage of the total number of foundations (N=943)



**Figure 2.20: Changes in expenditure on research and innovation, expectations for the following year**

As a percentage of the total number of foundations (N=915)



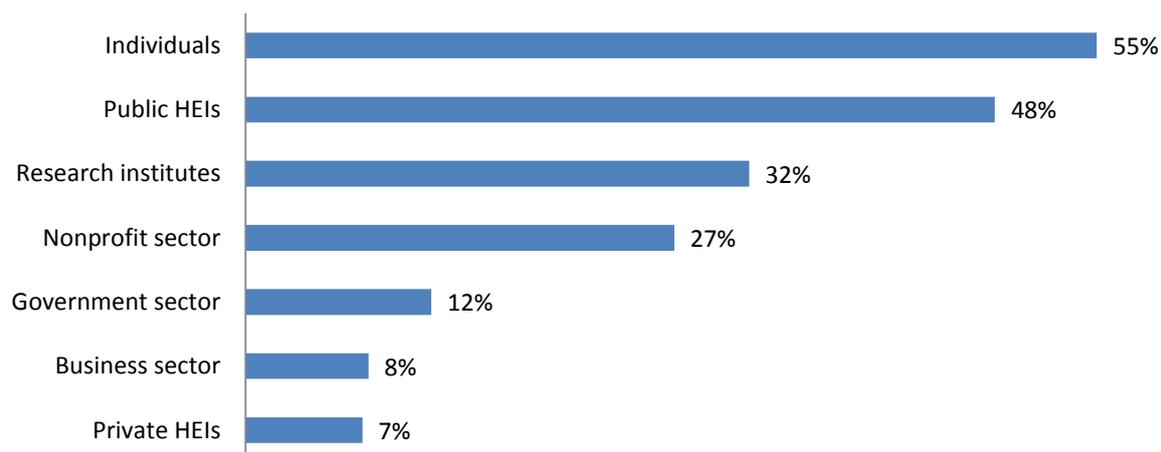
## 2.4 Focus of support

### 2.4.1 Beneficiaries

The main beneficiaries of foundations are private individuals. 55 % of the surveyed foundations claimed to contribute support for individuals. Other important beneficiaries are public Higher Education Institutions (HEIs) that can count on support from almost half of the foundations (48 %). Research institutes complete the top three with almost a third (32 %) of foundations benefiting them.

**Figure 2.21: Beneficiaries**

As a percentage of total number of foundations, multiple answers possible (N=521)

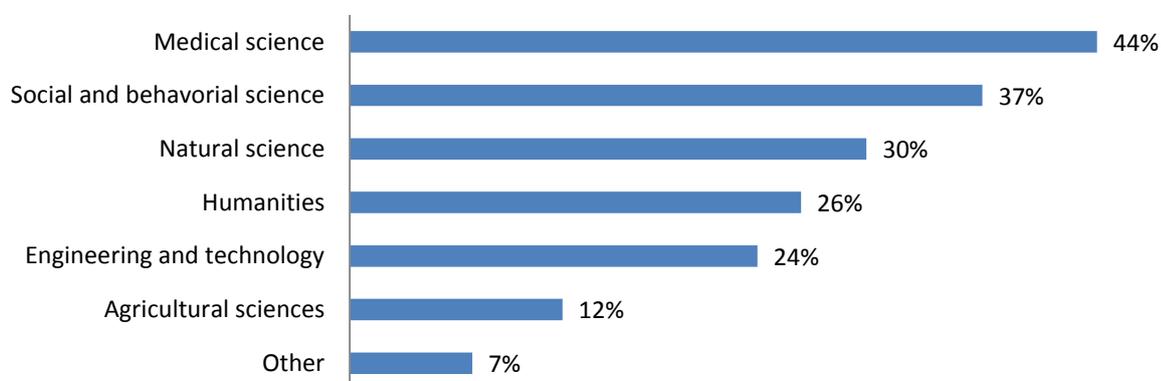


### 2.4.2 Research areas

When it comes to supporting different research areas, it becomes evident that ‘medical science’ is the most popular research area among the foundations. This is true both in the number of foundations (44 %) and in the amount of expenditure (63 %) foundations make to benefit this area. The discrepancy between the share of foundations and the share of expenditure in the field of medical science is mainly caused by the larger foundations. Of the foundations with expenditure over EUR 100 million, 81 % claimed to support medical science, which is nearly twice the average percentage. Although multiple answers were possible, and larger foundations are more likely to have the resources to support multiple areas, it seems that this notably high percentage is caused by the relatively high number of health foundations in the EUFORI dataset. Important contributors to medical science, for example, are renowned foundations such as Institut Pasteur (France), Fundación General CSIC (Spain) and the British Heart Foundation (United Kingdom).

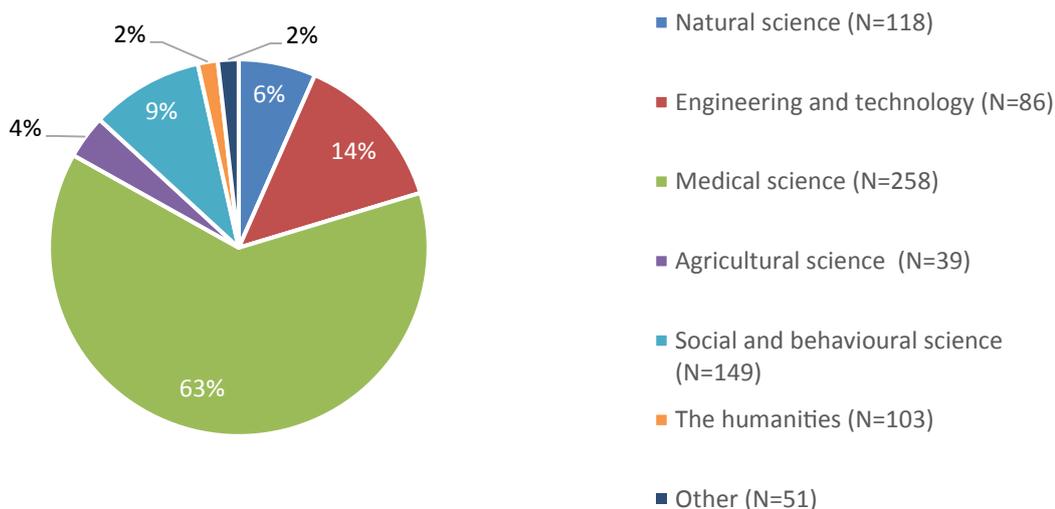
**Figure 2.22: Support for research areas**

As a percentage of total number of foundations, multiple answers possible (N=1257)



**Figure 2.23: Support for research areas**

As a percentage of the total known expenditure on research areas



Research area	Expenditure in Euros
Natural science (N=118)	148 331 726
Engineering and technology (N=86)	309 343 675
Medical science (N=258)	1 417 570 899
Agricultural science (N=39)	84 224 026
Social and behavioural science (N=149)	217 171 337
The humanities (N=103)	38 333 832
Other (N=51)	39 823 010
Unknown	2 246 967 617
<b>Total expenditure on research</b>	<b>4 501 766 122</b>

Other popular research areas in terms of the number of foundations are social and behavioural science and natural science. In terms of expenditure the engineering and technology category is also in the top three.

In most countries, medical science is the preferred field of support for foundations, but there are some interesting exceptions. In quite a few Eastern European countries, social and behavioural science is the most popular research area. From the national reports we learn that the explanation for this phenomenon lies in the legacy of the Communist regimes. Under Communist occupation, social and behavioural science was abolished and then made illegal. After the fall of Communism a rehabilitation of social science is still taking place in which the foundations are playing their part. Countries where social and behavioural science the preferred research area for foundations (in terms of the number of foundations) are among others: Bulgaria, the Czech Republic, Estonia, Latvia and Romania.

### 2.4.3 Research-related activities

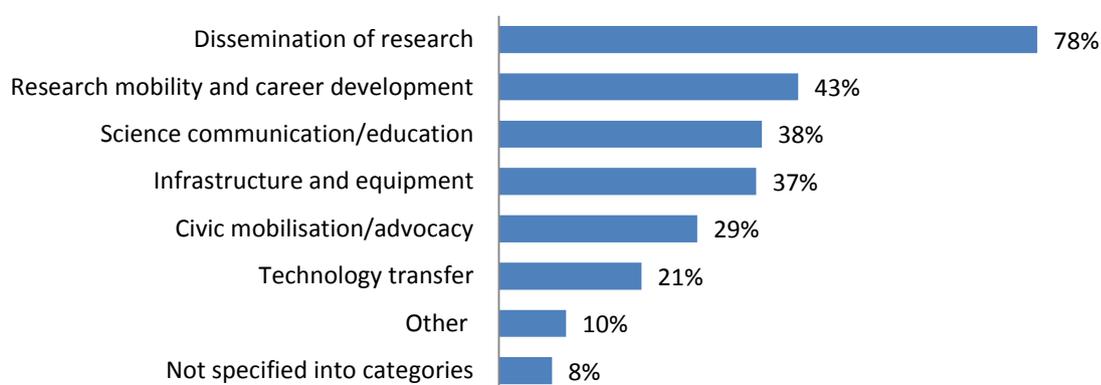
As mentioned earlier, the lion's share of foundations' expenditure goes to the direct support of research. Only a small percentage (14 %) of the total research expenditure is destined for research-related activities. However, it is probable that foundations find it difficult to make a distinction between direct research and research-related activities. Sometimes a grant is provided to a project that entails predominantly direct research, but also which includes some research-related activities. In these instances it is quite possible that the research-related activities could not be accurately assigned as such.

When asked about the research-related activities that foundations support, 78 % of the foundations reported that they supported the dissemination of research. Examples of this dissemination are the organisation and/or funding of seminars, conferences or (digital) publications. This activity is by far the most popular activity, followed at a distance by support for research mobility and career development (43 %). It must be noted that stipends for students below PhD level are excluded from the EUFORI study, as this is support for education. The support for PhD programs and scholarships for young researchers on the other hand is included in the category of 'research mobility and career development'. Almost half (43 %) of the foundations indicated that they support this activity. The top three activities include the support of science communication/education (i.e. museums, science parks, television programmes).

Although 'Infrastructure and equipment' is not the most popular activity among foundations (as shown in Figure 2.24), it is the category with the highest support in terms of the expenditure of foundations. Perhaps this is not surprising since supporting research centres and laboratories is sometimes related to the purchase of costly equipment. The dissemination of research on the other hand is less capital intensive, but still accounts for 22 % of the known expenditure on research-related activities. Here it must be noted that the majority of the dissemination expenditure comes from one Swiss foundation and therefore somewhat distorts the overall distribution.

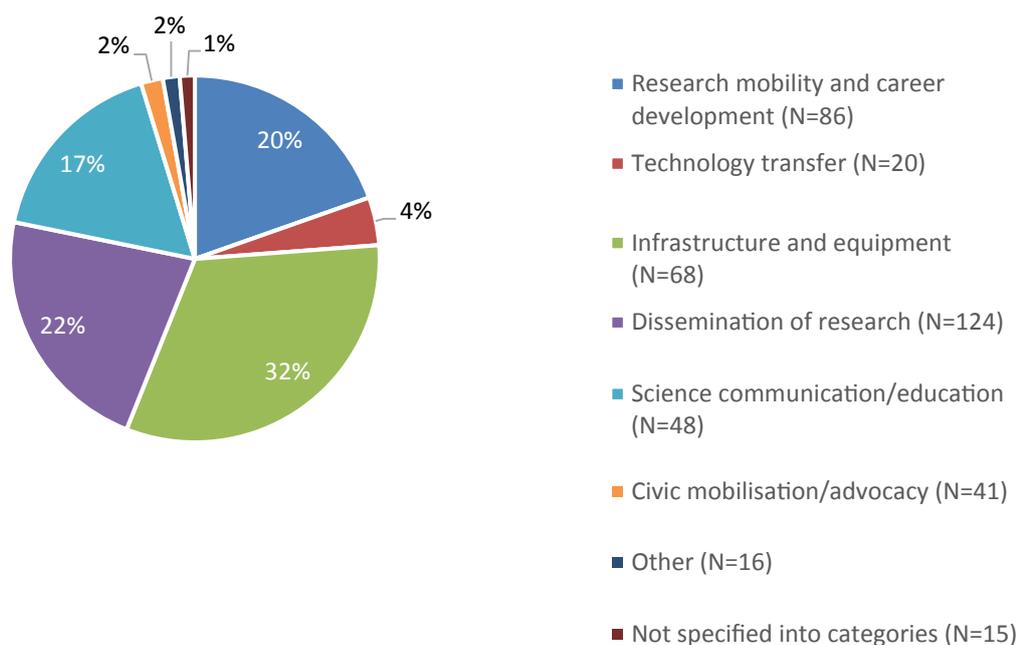
**Figure 2.24: Research-related activities**

As a percentage of total number of foundations, multiple answers possible (N=492)



**Figure 2.25: Research- related activities**

As a percentage of total known expenditure to research -related activities



Expenditure	Amount in Euros
Research mobility and career development (N=86)	53 657 831
Technology transfer (N=20)	11 574 508
Infrastructure and equipment (N=68)	88 323 228
Dissemination of research (N=124)	60 843 137
Science communication/education (N=48)	46 795 358
Civic mobilisation/advocacy (N=41)	5 253 912
Other (N=16)	4 040 891
Not specified into categories (N=15)	3 596 475
Unknown	362 009 035
<b>Total expenditure on research-related activities</b>	<b>636 094 375</b>

## 2.5 Geographical dimensions of activities

### 2.5.1 Geographical focus

More than 850 foundations provided information on the geographical distribution of their research and innovation expenditure. 550 of 854 (64 %) foundations claimed to operate on a national level. Of these 550, there are 242 that focus exclusively on a national level. About half (51 %) of the foundations reported expenditure on a local level and about a quarter (26 %) of the foundations indicated that a share of their expenditure was distributed on a European or international level. The contributions on a European and international level are quite modest with the average percentage of R&I expenditure being 8 % on a European level and 8.6 % on an international level. The average percentages for the local and national levels

are much higher with 38.5 % and 45.5 %, respectively. This preference for the national and local levels becomes evident when we look at the distribution of the expenditure (see Figure 2.26). We should note that foundations supporting R&

I in the EUFORI study allocated 90 % of their expenditure to these purposes at a national or regional level. The high percentage for the national level is mainly caused by the statutes of foundations which often impose restrictions on their geographical focus. Moreover, from the FOREMAP study it was already clear that foundations also encounter legal, fiscal or cultural barriers when extending their activities abroad (FOREMAP 2009: 145). The small percentage of cross-border giving by foundations in Europe does not actually mean that foundations' support is not internationally oriented. Foundations may fund the national dimension of an international research program, for example, or they may fund scholarships and chairs in their own country for outstanding researchers from abroad (see FOREMAP for more information).

There are only a few big foundations in Europe that operate across national borders. The VolkswagenStiftung in Germany, for example, has a strong tradition in supporting the internationalisation of research in many parts of the world. The EUFORI study results show that only a small percentage of the EUFORI foundations that operate across their national borders experience difficulties. However, based upon these data we cannot conclude that barriers do not exist. It might be unsurprising that foundations already operating abroad hardly experience any difficulties. For foundations operating on a national level barriers could prevent them from cross-border giving.

In February 2012 the European Commission presented a proposal for a European Foundation Statute in order to facilitate the cross-border activities of public benefit purpose foundations and make it easier for them to support public benefit causes across the EU. The European Foundation Centre (EFC) and the Donors and Foundations Networks in Europe (DAFNE) play an important role in increasing awareness and support for the creation of a European Statute for foundations at a European and national level. In order to illustrate and justify the need for a Statute the EFC collected many concrete examples, where foundations share their experiences and views on cross-border giving (EFC, 2012). The Portuguese national report illustrates that obstacles related to bureaucracy and administrative burden were experienced when foundations implemented joint projects on an international level. Also, from the donor perspective tax benefits with respect to donations made to foundations abroad are limited.

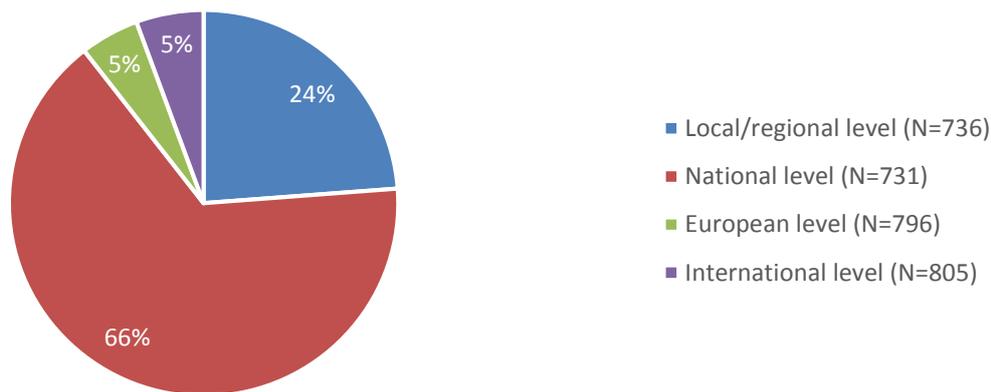
On the 16th of December 2014 the new Juncker Commission decided that the European Foundation Statute will not be part of its so-called 'better' regulation agenda for 2015. The European Foundation Statute is one of the 80 proposals that the European Commission has decided to withdraw from the legislative agenda. <sup>[1]</sup>

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1 [http://www.efc.be/news\\_events/Pages/European-Commission-halts-negotiations-on-the-European-Foundation-Statute-%E2%80%93-What%E2%80%99s-next.aspx](http://www.efc.be/news_events/Pages/European-Commission-halts-negotiations-on-the-European-Foundation-Statute-%E2%80%93-What%E2%80%99s-next.aspx)

**Figure 2.26: Geographical focus of support**

As a percentage of the total (known) expenditure on research and/or innovation



Geographical level	Amount in Euros
Local/regional level (N=736)	566 078 895
National level (N=731)	1 562 814 683
European level (N=796)	116 685 196
International level (N=805)	133 453 552
Not allocated	2 635 110 013
<b>Total expenditure on R&amp;I</b>	<b>5 014 142 339</b>

### 2.5.2 The role of the European Union

Although a minority of the foundations in the EUFORI study (25 %) indicated that some of their expenditure was allocated on a European level, more than 900 foundations gave their opinion on the role of the European Union. In the EUFORI survey, the following question was asked: ‘In your opinion, what should the role of the European Union be in relation to foundations?’ The results are shown in Figure 2.27.

Although there seems to be no single dominant role, the roles relating to ‘collaboration’ are the most popular among foundations with around 44 % and 43 % of foundations opting for collaborative roles with the EU. Nearly as popular is the provision of fiscal facilities with 39 %. Together with the provision of a legal framework these roles can be perceived as the facilitation of the provision of a fiscal and legal framework.

### Figure 2.27: Role of the European Union

As a percentage of total number of foundations, multiple answers possible (N=920)

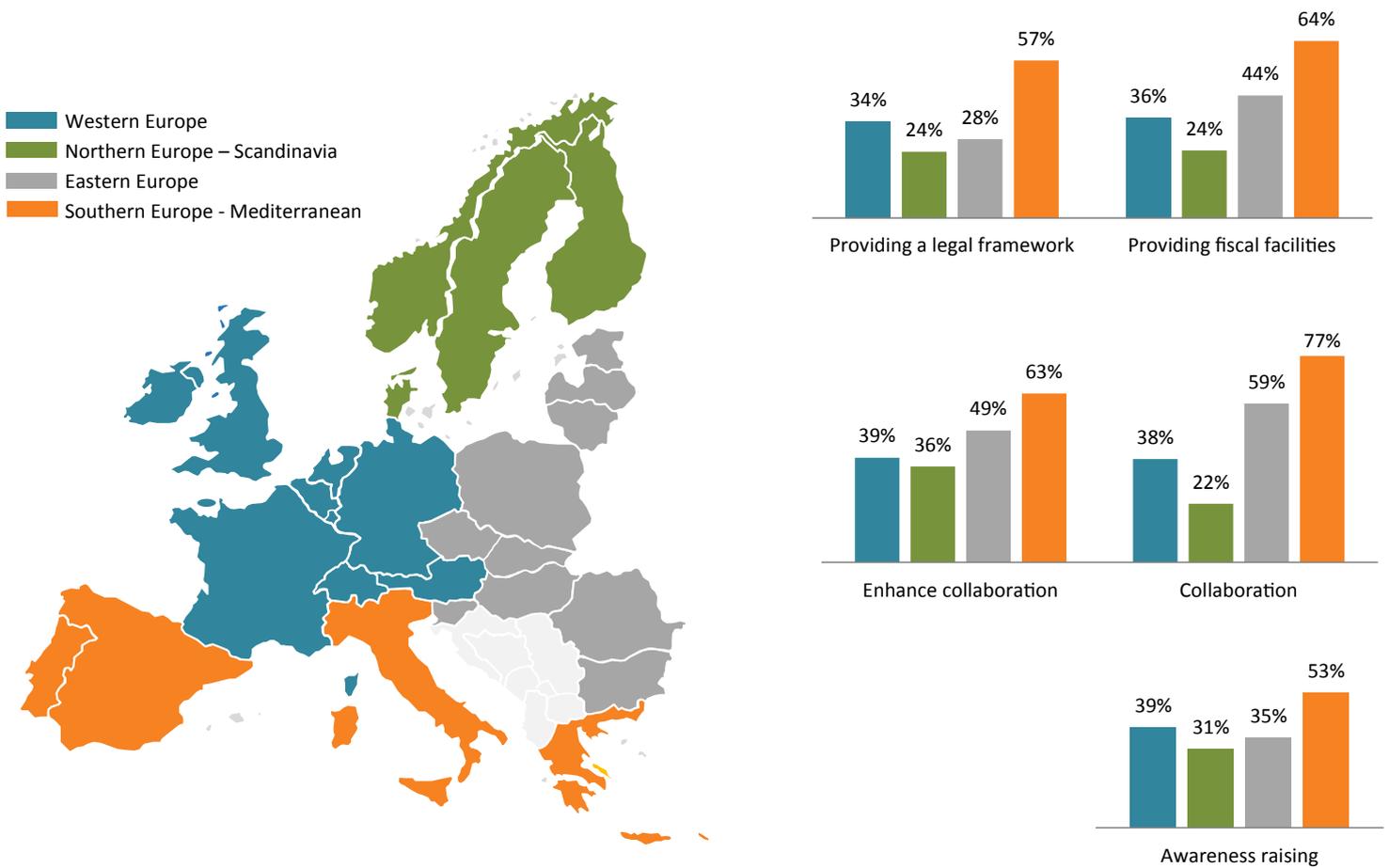


Looking at the different regions in Europe (see Figure 2.28) it is interesting to note that the Southern and Eastern European countries see an important role for the European Union compared to the other two regions. Overall, the Mediterranean foundations are quite keen on seeing a more active role for the EU. This is especially true when it comes to collaborating with the EU; the Mediterranean foundations score well above average with more than three quarters of foundations stating that this should be one of the roles of the EU. The Eastern European foundations also score high on the collaboration cluster and on the provision of fiscal facilities. The Western European foundations have more or less average scores ranging between 34 % and 39 % of foundations that envision a particular role for the EU.

Another interesting observation concerns the consistently below average percentages for the Scandinavian foundations which are, on average, less eager to see the EU as a collaboration partner (21.8 %), or as a provider of legal (23.8 %) and fiscal (24.3 %) facilities.

Whether these statements on the role of the EU have been interpreted correctly is difficult to say. Collaboration, for example, is a broad term which could perhaps be interpreted as 'financial support'. Worth noting from the survey results, for example, is that in the 'other' category, where foundations were welcome to enter their own text, the financial support for foundations in the form of subsidies or grants was mentioned remarkably often.

Figure 2.28: Regional comparison, role of the EU



### 2.5.3 Contribution to European Integration

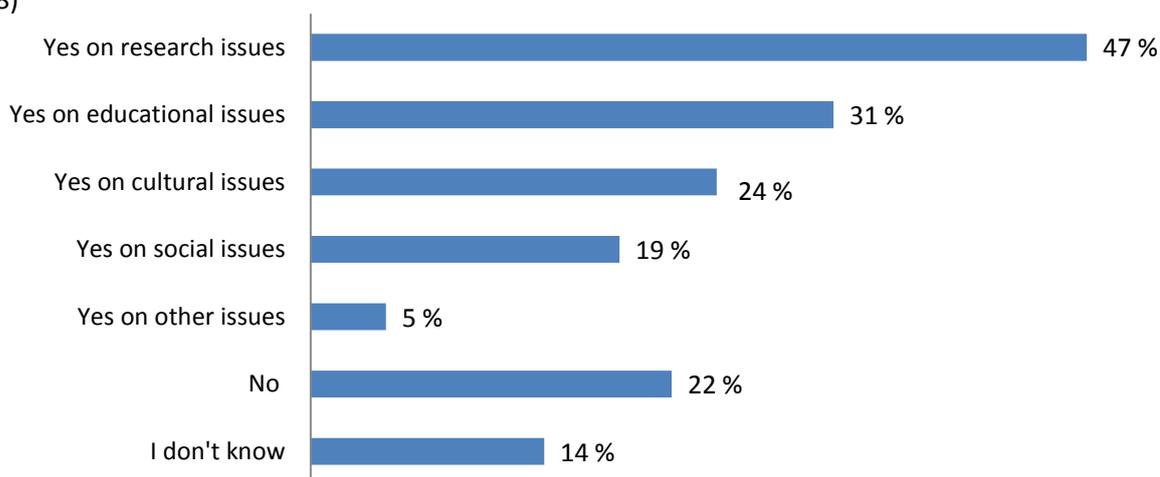
Besides asking about the foundations' expectations with regard to the EU, the EUFORI survey also considered the contributions that foundations make to enhance European integration. The following question was asked: 'Do your activities contribute to European integration'? The results are shown in Figure 2.29. The main issues foundations contribute to are, not surprisingly, research issues (47 %) followed at a distance by educational issues (31 %) and cultural issues (24 %). One issue mentioned separately by some foundations was their engagement in international research networks as their contribution to European integration.

One issue that was raised by several foundations is their contribution to environmental issues. Specific examples of these contributions are, among others: addressing political issues concerning global climate problems, providing environmental data services and the conservation of nature.

Interestingly, a large proportion of foundations does not seem to contribute to European integration (22 %) or has no opinion about it (14 %). This may indicate that contributing to integration on a European level is not one of their main priorities. This is especially true for smaller foundations that exclusively operate on a local or national level.

### Figure 2.29: Contribution to European integration

As a percentage of the total number of foundations, multiple answers possible (N=928)



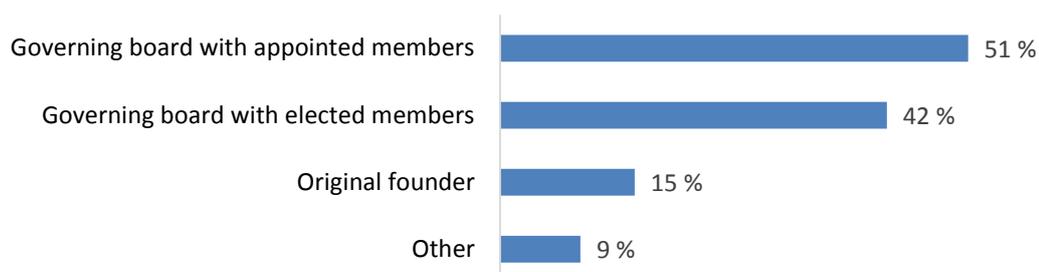
## 2.6 Foundations' operations and practices

### 2.6.1 Management of foundations

In section 2.2. the financial founders of foundations were analysed. The majority of foundations indicated that a private individual or family formed the original foundation. When it comes to managing the foundation it seems that in only 15 % of the foundations the original founder is still in charge of defining the strategy. It is much more common that foundations are managed by either a governing board with elected members or by a governing board with appointed members. Since multiple answers were possible, combined management is also mentioned.

### Figure 2.30: Management of foundations

As a percentage of the total number of foundations, multiple answers possible (N=1149)



The foundations in the EUFORI study also specified the number of governing and supervisory board members. 1 065 foundations provided insight into the number of governing board members. The average number of governing board members is six, but the most frequently reported number of members is three. Foundations with supervisory board members are less common. 613 foundations provided information on the number of supervisory members. Here the average number of members is seven, but three is again the most often mentioned number of supervisory board members.

## 2.6.2 How do grantmaking foundations support research?

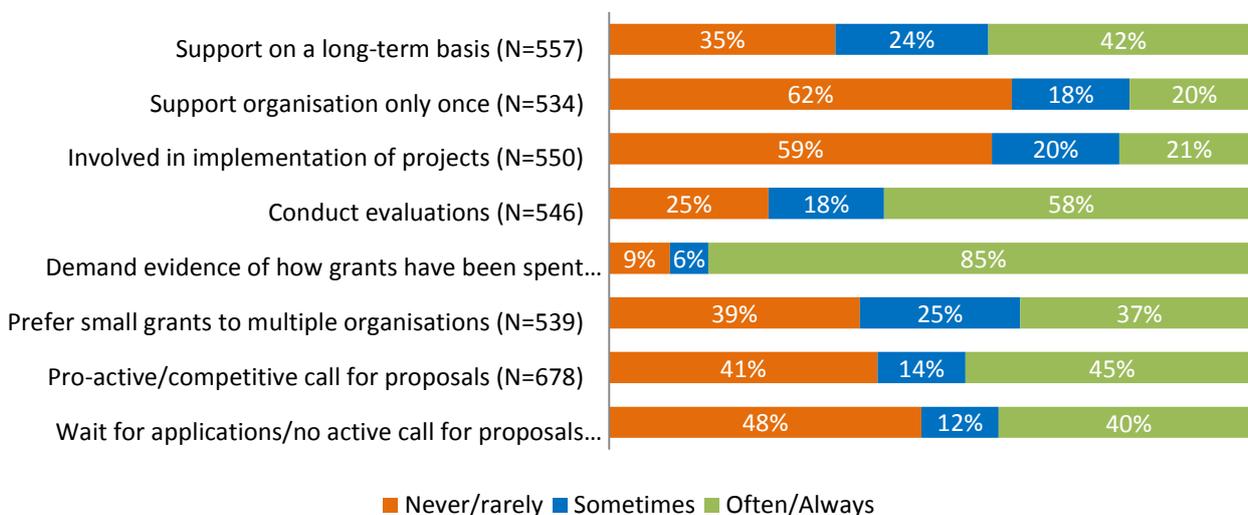
In the EUFORI data there are 874 foundations that are active in providing grants. These foundations were presented with statements about their daily practice activities. The results are shown in Figure 2.31. One daily practice stands out from the rest: demanding evidence of how grants have been spent seems a common practice for nearly all grantmaking foundations, with 85 % of foundations often or always demanding evidence. Conducting evaluations is also fairly common with 58 % of the foundations stating that they often or always conduct evaluations.

One positive finding is that foundations on average have a preference for support on a long-term basis over supporting organisations as a one off (i.e. an organisation/project can receive only one grant). It is predominantly the smaller foundations in terms of resources that provide support on an incidental basis. The larger the foundations, the more possibilities there are for structural support.

With regard to calls for proposals, the results can roughly be split in two, with half of the foundations waiting for grant applications and the other half proactively making calls for applications. The results show that foundations take care when evaluating their own efforts and that they are fairly committed to their support.

**Figure 2.31: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations



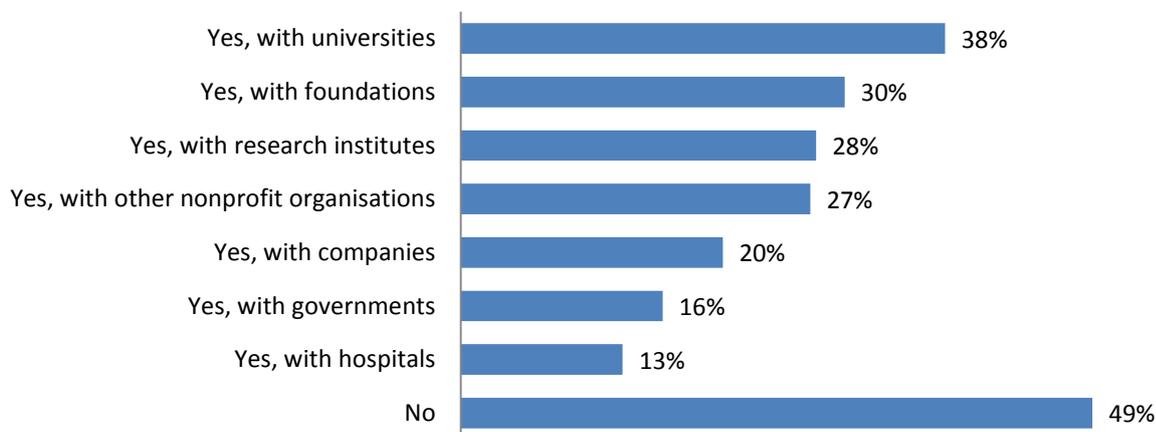
## 2.6.3 Engagement in partnerships

A little more than half (51 %) of the 897 reporting foundations indicated that they develop joint research activities in partnership with others. Universities are the most popular party to collaborate with, with 38 % of the nearly 900 foundations teaming up with universities. This implies that out of the foundations that engage in partnerships more than 75 % do so with universities. Other frequently mentioned collaborations are partnerships with foundations (60 %), research institutes (56 %) and other nonprofit organisations. An interesting partner that was mentioned by several foundations are museums.

For operating foundations it is much more natural/necessary to engage in partnerships than it is for grant-making foundations. On average, 72 % of the operating foundations are engaged in partnerships, as compared to only 30 % of the grantmaking foundations. Another linkage in terms of partnership engagement is the size of the foundations. The smaller foundations are less likely in terms of total expenditure to engage in partnerships. Of the foundations with expenditure of up to EUR 100 000, on average 36 % collaborate, but this percentage increases when other expenditure categories are taken into consideration. Of the foundations with expenditure of between EUR 10 million and 100 million, on average 74 % are engaged in partnerships, and this percentage is 91 % for foundations with expenditure of over EUR 100 million. This is not a surprising outcome since larger foundations are usually better staffed and more professional, which enables them to find suitable partners to collaborate with.

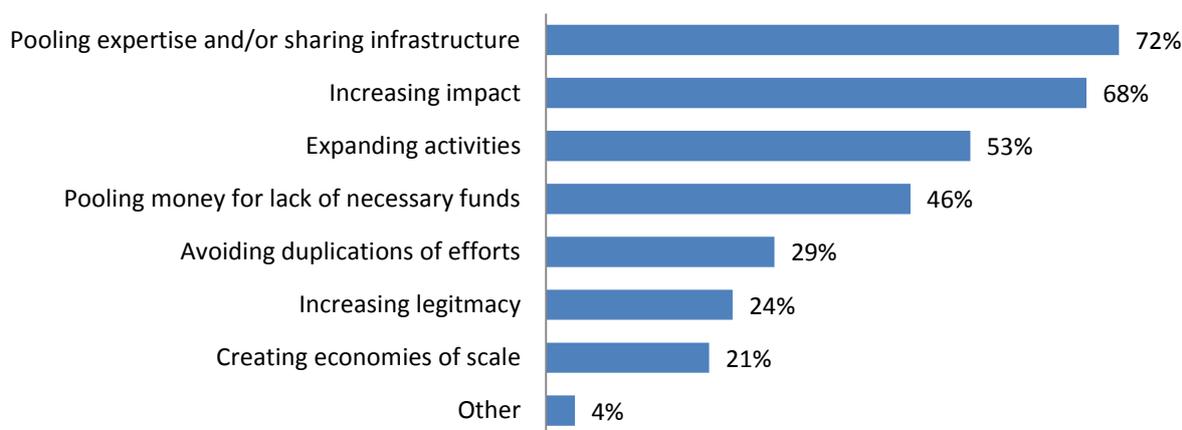
**Figure 2.32: Partnerships**

As a percentage of the total number of foundations, multiple answers possible (N=897)



**Figure 2.33: Motivation partnerships**

As a percentage of total number of foundations, multiple answers possible (N=438)



The main incentive (72 %) for foundations to engage in partnerships is to pool expertise and to share infrastructure. Other motivations for foundations include increasing their impact (68 %) and the expansion of activities (53 %). These high percentages imply that foundations see multiple motivations/rewards from collaborating with others. An interesting example of how foundations can pool money and expertise is a cross-border collaboration between three foundations from France, the Czech Republic and Slovakia that together organise the Annual French-Czech-Slovak Philosophy Symposium. The foundations work as equal funding partners with one of the foundations acting as a coordinator, depending on in which country the symposium takes place. This is an example of a successful international partnership facilitating a research-related activity.

When we look at engagement in partnerships from a comparative perspective, there is some significant variation between countries. On average, 51 % of foundations engage in partnerships, but between countries this percentage ranges <sup>[1]</sup> from 25 % to 87 %. Spain is the partnership leader with 87 % of Spanish foundations in the EUFORI data claiming to engage in partnerships. Other countries with a high partnership percentage are Malta (83 %), Estonia (81 %), Romania (80 %) and Italy (78 %). Some of the countries with a relatively low average partnership engagement are: Austria (25 %), Finland (28 %), Sweden (31 %), Norway (36 %) and Switzerland (42 %). The presence of Finland, Sweden and Norway in the bottom five countries may suggest some regional disparity. Overall, we can note that there are some differences between the European regions and that in particular Southern European and Eastern countries report higher partnership engagement than the Western and Northern European countries. However, there are quite some exceptions and the disparity between the numbers of observations does not really allow for generalised statements.

## 2.7 Roles and motivations

What is the role of foundations within society? In the literature, foundations are often characterised as independent, free and flexible institutions (FOREMAP 2009: 111). Anheier and Leat (2006: 3) describe them as ‘innovative, risk-taking funders of causes that others either neglect or are unable to address’. But how do foundations perceive the contributions they make to the research and innovation field compared to other players?

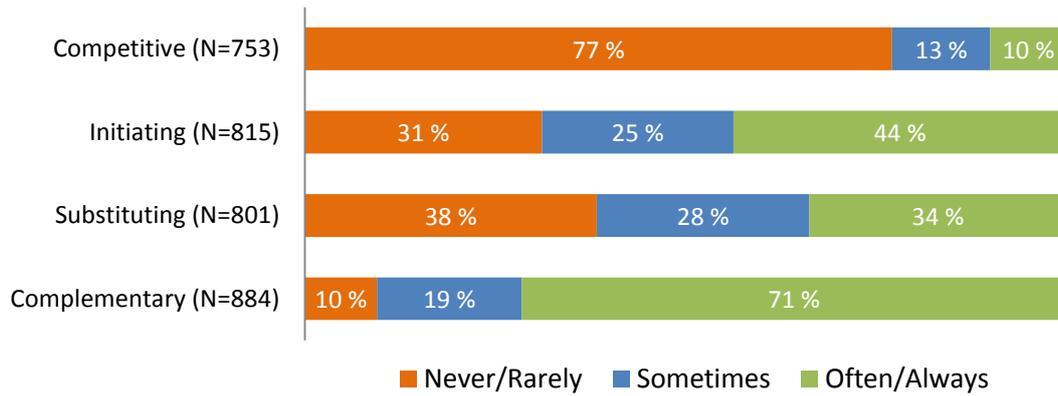
In the EUFORI survey foundations were asked to describe the role of their foundation in the research and innovation domain. Four roles were presented and for each role the foundations had to indicate how appropriate this role was to them. The four roles are: complementary, substituting, initiating and competitive. The results are shown in Figure 2.34. Two observations stand out. Firstly, foundations predominantly view their own role as complementary (i.e. additional to public/other supporters) in the research and innovation domain. Secondly, foundations do not view themselves as competitive agents (i.e. aimed to rival with other initiatives).

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1 Only taking into account countries with five observations or more.

### Figure 2.34: Roles of foundations

As a percentage of the total number of foundations according to role



The role of being complementary implies for foundations that they ‘fill in the gaps’ in society and try to serve groups and areas that have been overlooked by the government (Anheier and Daly 2006: 198). It is this role that seems to suit foundations best in their own perception; 71 % of foundations clearly recognise this role. This finding is consistent with the research conducted by Anheier and Daly (2006: 198), who found that the majority of the foundations interviewed for their research associated this role with their foundation. The role of being complementary is also the most natural role for foundations when we consider their resources compared to other players in the R&I landscape: government funding and the contributions by the business sector. The substituting role, on the other hand, is far less popular with 34 % foundations perceiving this role as being applicable. Besides the fact that many foundations would not have the capacity to take over state responsibilities, it also came from several interviews that foundations do not think it is their place to do so.

Foundations have modest resources and, therefore, limited options in the projects or areas they can support. Nonetheless, with relatively modest contributions, they can play a significant and important role in the projects they support. This also becomes apparent in the way foundations perceive their initiating role. Nearly half of foundations (44 %) view taking the initiative as a role that can be applied to them. Foundations do not view the competitive role as one that represents their activities. 77 % of foundations indicate that they never or rarely take up a competitive role.

When evaluating the role foundations play, we should take into account that exclusive financial support is for many foundations not the main modus operandi when supporting projects. Often, foundations are involved in the coordination of projects, or they may take the initiative to pool money for a certain program or project which otherwise would not have happened. In that way, their financial contribution may be limited, but their societal impact is fairly significant.

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# 3 Country differences in research and innovation foundation activity

Countries in Europe show markedly different levels of foundation activity supporting research and innovation. How can these differences between countries be explained? In the current chapter we explore answers to this question. We first describe the differences we observe between countries in Europe in terms of foundation activity. Then we present the results from statistical analyses that can help us begin to understand these differences. We conclude this chapter with a set of recommendations for future research on foundation activity.

## 3.1 Large differences between countries in Research and Innovation activity by foundations in Europe

In the preceding chapter we described the landscape of foundations supporting research and innovation in Europe. In the current chapter we explore why countries in Europe differ so markedly in their levels of activity. We do so by describing the differences in foundation activity between countries in Europe in relation to other differences between those countries. Based on this analysis it is not possible to draw any firm conclusions about the causes of foundation activity in Europe, but we will be able to demonstrate what characteristics are distinctive of countries that have a vibrant foundation sector supporting research and innovation. We begin our analysis with a description of the differences between countries in Europe according to a set of key indicators of foundation activity (see Table 3.1). The first column shows the numbers of foundations in the EUFORI database for which we have valid responses to questions about the indicators as shown in Table 3.1. For each country there are two numbers: the lowest and the highest number of observations. In most countries we have a higher number of valid observations of income and expenditure than of grantmaking status and endowment income. This is because financial information was added to the database for some foundations that did not complete the survey. As a result, the financial information for these foundations is included in the database, while there is no information available on grantmaking programs and endowments. A higher number of observations not only implies that a higher number of foundations support research and innovation, but also that foundations have been more forthcoming in providing data on their activities.

The second column in Table 3.1 shows the expenditure on research and innovation activities in millions of Euros (see Figure 2.18 in Chapter 2). As in the Innovation Scoreboard, four groups of countries can be distinguished. We see that there is one country with a high level of research and innovation funding from foundations in terms of spending: the UK (EUR 1.66 billion). Then follows a group of six countries with moderate levels of research and innovation funding (EUR 347 to 581 million) from foundations, consisting of Norway, Belgium, Sweden, Denmark and Germany. Then there is a large group of countries where

the levels of research and innovation funding from foundations are rather low (between EUR 13 and 196 million), consisting of Hungary, Ireland, Poland, Austria, Italy, Portugal, France, Finland, the Netherlands, Estonia and Switzerland. Finally, a group of countries where very low amounts (less than EUR 1 million to 1.9 million) are spent on research and innovation are Cyprus, Slovakia, Malta, Luxembourg, Lithuania, Bulgaria, Latvia, Slovenia, Romania, Greece and the Czech Republic.

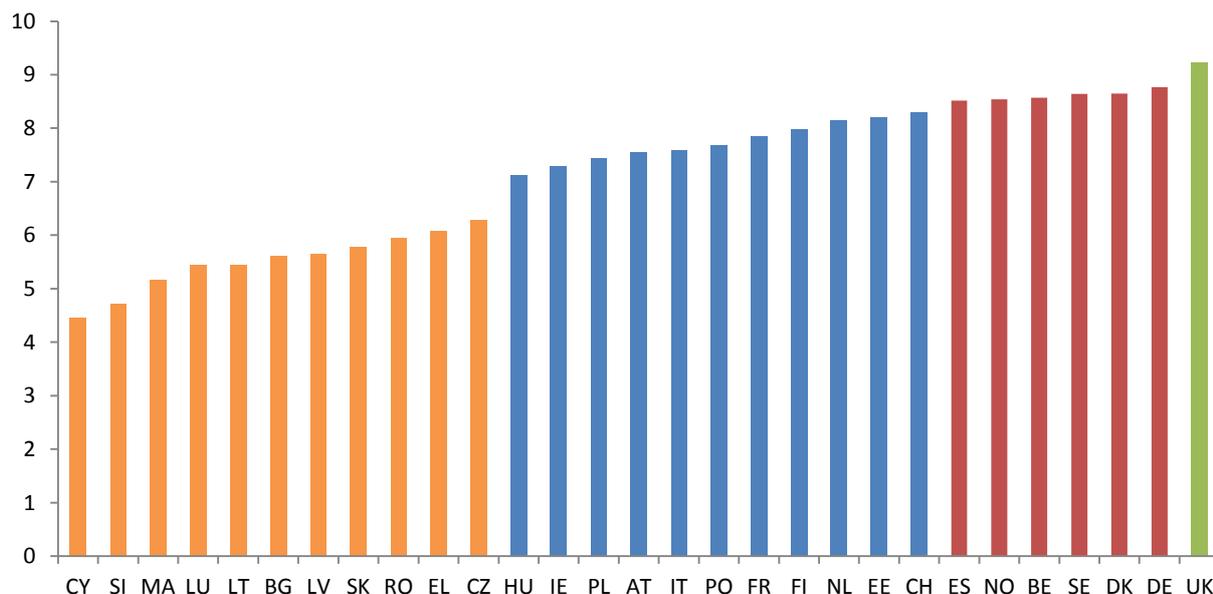
**Table 3.1: Selected descriptive statistics for foundation activity in the EUFORI Database by country**

Country	n	Cumulative amount		Proportion of foundations (%)	
		Total R&I spending	Are grantmaking	receive income from endowment	
Austria	44-64	35.6	77 %	84 %	
Belgium	14-38	369.7	58 %	50 %	
Bulgaria	5-10	0.4	33 %	38 %	
Cyprus	1-7	0.0	0 %	0 %	
Czech Republic	29-59	1.9	33 %	25 %	
Denmark	9-22	441.8	94 %	94 %	
Estonia	10-36	156.5	27 %	5 %	
Finland	52-69	95.2	93 %	93 %	
France	12-25	69.5	65 %	72 %	
Germany	75-152	581.1	73 %	92 %	
Greece	0-6	*	20 %	50 %	
Hungary	37-253	13.1	48 %	60 %	
Ireland	5-14	19.2	85 %	42 %	
Italy	13-40	38.8	31 %	38 %	
Latvia	6-10	0.5	33 %	25 %	
Lithuania	1-4	*	75 %	0 %	
Luxembourg	4-9	0.3	33 %	67 %	
Malta	2-9	*	11 %	25 %	
Netherlands	28-48	142.6	91 %	83 %	
Norway	58-102	347.4	77 %	62 %	
Poland	15-37	27.5	30 %	18 %	
Portugal	11-19	48.1	39 %	73 %	
Romania	2-8	*	14 %	29 %	
Slovakia	3-11	0.6	89 %	67 %	
Slovenia	1-2	*	*	*	
Spain	67-208	327.0	17 %	39 %	
Sweden	36-87	436.7	94 %	92 %	
Switzerland	114-184	195.5	68 %	67 %	
United	28-55	1,662.5	93 %	98%	
All countries	720-1,591	5,014.1	58 %	51 %	
n		990	1,498	899	

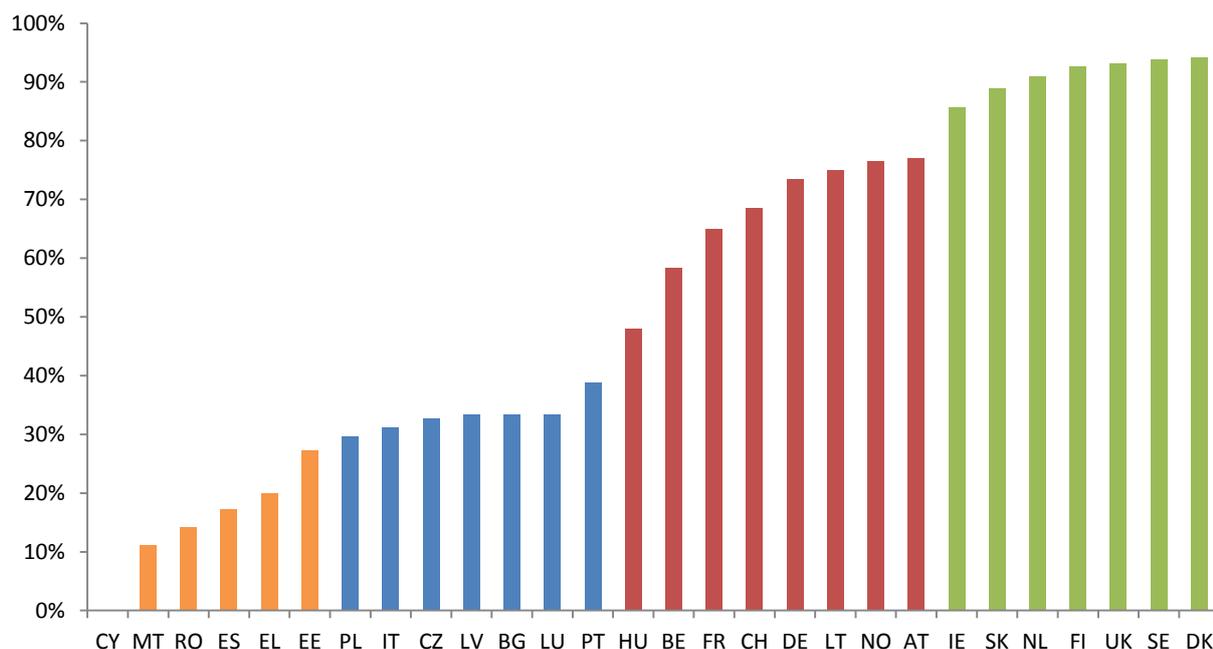
\* < 3 observations

The skewness in the distribution in research and innovation expenditure by foundations in Europe is striking. The expenditure by foundations in the UK is about four times the amount spent by foundations in Belgium, Sweden and Denmark. It represents one third of the total expenditure on research and innovation by foundations identified in the EUFORI study. The skewness is not just a substantively interesting phenomenon, but it also poses challenges for the statistical analysis. The presence of a few observations with very high values gives them a large weight in the analyses, blurring our view of the majority of countries. To tackle this problem we applied a natural log (ln) transformation of the raw values.

**Figure 3.1: Log-transformed amounts of R&I expenditure by foundations in European countries**



**Figure 3.2: Proportion of foundations in European countries that are grantmaking**



**Figure 3.3: Proportion of foundations in European countries that receives income from an endowment**

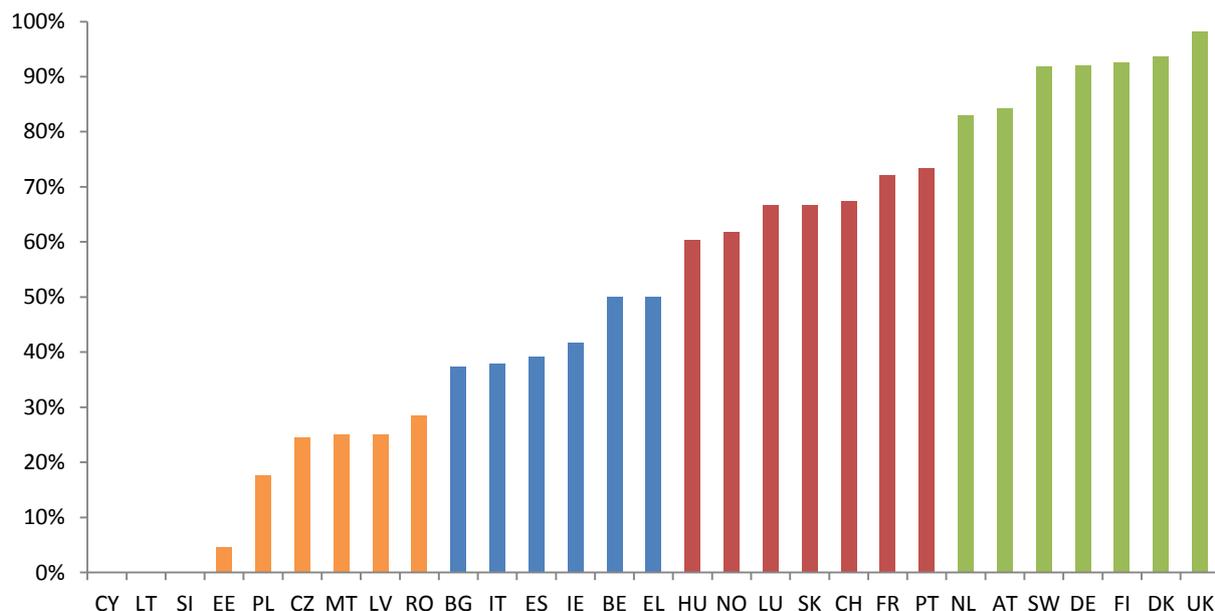
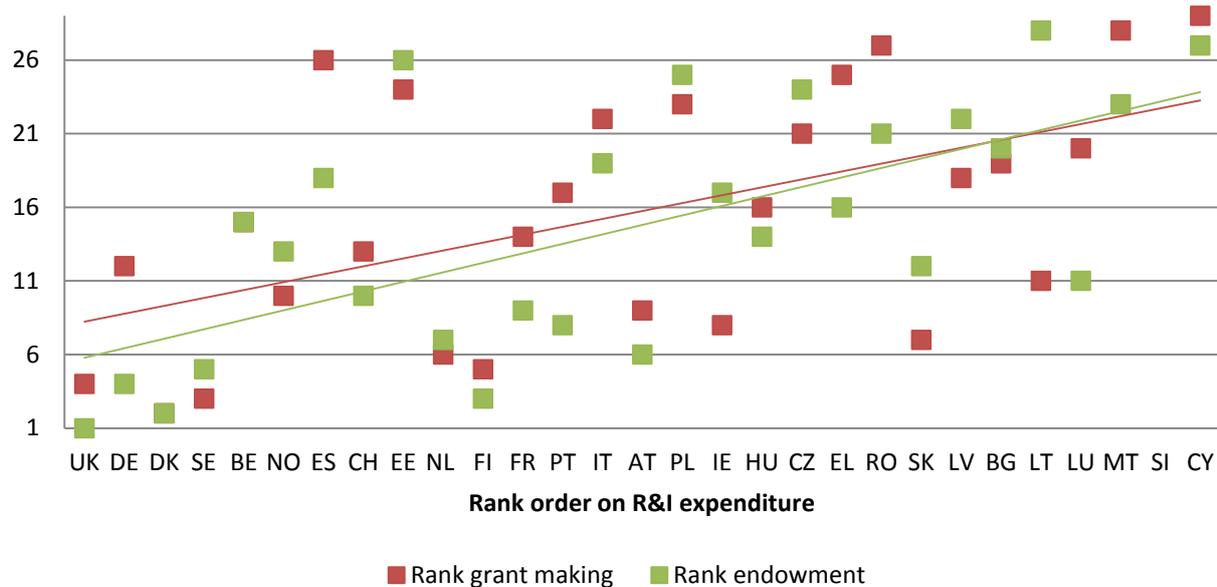


Figure 3.1 shows the resulting distribution of countries, grouped in four categories based on their expenditure in Euros. We see the same order of countries as in Table 3.1, but the values are much closer to one another. Also, when we look at other aspects of foundation activity, such as the presence of grantmaking foundations, we see a large variation between the countries in Europe. Figure 3.2 shows these differences. In Cyprus, Malta, Romania, Spain and Greece less than one fifth of the research and innovation foundations surveyed are grantmaking. In the Netherlands, Finland, the UK, Sweden and Denmark, however, this is 90 % or more. Finally, we also see a large variation in the proportion of foundations receiving income from an endowment (see Figure 3.3).

The proportion of foundations receiving income from an endowment is high in the UK, in most of the Scandinavian countries, the Netherlands and two German-speaking countries (Austria and Germany). A low proportion of foundations receives income from an endowment in Eastern European countries, Spain, Italy, Belgium and Greece.

While the rank order of countries in the three figures is somewhat different, we can see some clear patterns: in countries where foundations invest more in research and innovation the proportion of foundations that receives income from an endowment is higher, as well as the proportion of foundations that is grantmaking. In statistical terms, these patterns are evident from the correlations between the rank order of R&I expenditure, the rank order of the presence of grantmaking foundations ( $r = .54$ ) and the presence of endowed foundations ( $r = .65$ ). Figure 3.4 visualizes these relationships. Also the presence of grantmaking foundations is strongly related to the presence of foundations receiving income from an endowment ( $r = .75$ ).

**Figure 3.4: Relationships between rank orders R&I expenditure, presence of grantmaking foundations and presence of endowed foundations**



### 3.2 Why do foundations in different countries in Europe differ in terms of research and innovation activity?

Given the large differences in R&I foundation activity between the countries in Europe, it is a natural question to ask where these differences come from. This question is very difficult to answer. There are many factors that could be responsible for the differences in foundation activity between countries: there are economic and political conditions that influence foundations, religious and cultural traditions, legal conditions, government activity, and the organisation of the philanthropic sector and its relationship with government. Within each of these groups of factors there are specific influences that affect foundation activity. It may be that we have not observed a consistent relationship between different aspects of foundation activity, because there are so many variables at work that influence foundations. The multiplicity of types of influences is a common fact in philanthropy. Research on philanthropic activity according to households and corporations also shows that a large variety of influences are at work (Bekkers and Wiepking 2011; Campbell, Moore and Metzger 2002). This multitude of factors necessitates a multi-disciplinary approach in the field of philanthropic studies.

Here we present comparative analyses of the relationship between a selection of economic, legal, political and cultural characteristics of the countries and foundation activity in Europe. Before we present the results of these analyses, two caveats are so important to keep in mind when reading these results that we are already indicating them here. In the discussion section we will highlight additional limitations. The first caveat that is important to consider is that we only have 29 countries in our EUFORI dataset. This limits our ability to test the empirical relationships between foundation activity and country characteristics. A rule of thumb for the statistical analyses of the kind we are presenting below is that for each country characteristic at least 15 observations should be included. The second caveat is that the selection of country characteristics included in our analyses is a pragmatic choice of the variables that were available to us. These are not always the best measures of the characteristics that theories on philanthropy say are

the most important ones to consider. With these caveats in mind, we think we have identified the most important groups of factors that affect foundation activity, and will try to answer the following question: What are the characteristics of the countries where foundations are more active?

### 3.2.1 Differences in foundation activity between countries with different foundation models

First we examine how foundation activity differs between countries with different foundation models (view chapter 1 for a summary of these models). Table 3.2 shows how foundation activity on average differs between countries with different foundation models. Once again we see that the level of R&I spending in the UK, the only country with a liberal model in the EU, is very high (EUR 1.7 billion), approximating the total level of R&I spending in all the corporatist countries taken together (EUR 1.8 billion). Social democratic countries follow with EUR 1.3 billion. R&I spending by foundations is low in peripheral and post-Communist countries (just over EUR 200 million).

**Table 3.2: Foundation activity according to foundation model**

	R&I spending	Grantmaking	Endowment
Liberal	1 662.5	93 %	98 %
Social Democratic	1 321.2	87 %	81 %
Civil society-centered corporatist	954.8	74 %	79 %
State-centered corporatist	439.5	57 %	60 %
Mediterranean corporatist	414.0	20 %	41 %
All corporatist countries	1 808.4	54 %	65 %
Post-Communist	201.6	43 %	46 %
Peripheral	204.7	50 %	32 %

In the UK we also see very high proportions of foundations of the grantmaking type (93 %) and foundations receiving income from an endowment (98 %). Foundations in the UK are followed by foundations in countries with a Social Democratic model, where a high proportion of foundations receives income from an endowment and makes grants.

A large majority of foundations in countries with a civil society-centered corporatist model make grants and receive income from an endowment. In state-centered corporatist countries both proportions are lower (about 60 %). Foundations in Mediterranean corporatist countries, in contrast, are much less likely to make grants and are less likely to receive income from an endowment.

Foundations in peripheral countries (Ireland, Greece and Cyprus) and post-Communist countries show a similar pattern of activity. They combine low levels of R&I spending with relatively high proportions of foundations operating their own programs and low proportions receiving income from an endowment.

To sum up, we see most of the differences emerging that would be expected based on the typology of foundation models. The low proportions of grantmaking foundations in post-Communist and peripheral countries are in line with the theory on foundation models. Foundations in corporatist countries are quite heterogeneous, with Mediterranean corporatist countries closest to post-Communist and peripheral countries. Foundations in state-centered corporatist countries occupy a middle position, while foundations in countries with a civil society-centered model are most similar to foundations in the UK.

### 3.2.2 How can country differences in foundation activity be explained?

Countries in Europe do not only differ from each other in terms of their foundation model, but also with respect to many other characteristics, such as economic and political conditions, the philanthropic culture, legal conditions and R&D investments by government and corporate enterprise. How are these characteristics related to foundation activity?

In an extensive set of statistical analyses of the EUFORI data, enriched with data on the characteristics of countries in Europe, we have estimated the relationships of foundation activity with economic and political conditions, the philanthropic culture, legal conditions and R&D investments by government and corporate enterprise. <sup>[1]</sup> We have condensed the R&I expenditure, grantmaking activity (as opposed to being a foundation of the operating type) and receiving income from an endowment into one Foundation Strength Score. <sup>[2]</sup> The rationale behind this score is that a strong research and innovation foundation spends a higher amount on research and innovation, is able to make grants to third parties, and is relatively independent from other funders such as government and business investors. We have analysed how the presence of these strong R&I foundations is related to the characteristics of European countries.

Figure 3.5 presents these results as a graph. <sup>[3]</sup> The figure shows what proportion of the variance in foundation activity as measured by the Foundation Strength Score between countries can be explained by different groups of factors. Before we discuss this figure we should note that the differences between countries in terms of foundation activity are mostly due to the characteristics of the foundations and not to country-specific effects. <sup>[4]</sup> About one third of the differences in R&I foundation activity between foundations in Europe are due to the country in which they were established.

The numbers in Figure 3.5 represent the proportions of this percentage that can be accounted for by various groups of factors. An example: the bar for R&D investments tells us that about half of the differences between countries in terms of foundation activity can be accounted for by the level of investment in research and innovation by other actors such as government and corporate enterprise. This is about 18 % of the total variance between the countries. The bar for economic and political conditions shows that they can also account for about half of the country level variance in foundation activity (17 % of the total

1 A more elaborate explanation of the model is given in Annex III: Theoretical model

2 Details about the measurement procedures are available in Annex IV: Data and methods used in the comparative analysis.

3 The full results can be found on the EUFORI website: [www.euforistudy.eu](http://www.euforistudy.eu).

4 For R&I expenditure the country level variance is 14 %, while for grantmaking activity it is 30 %. For income from an endowment it is 31 %.

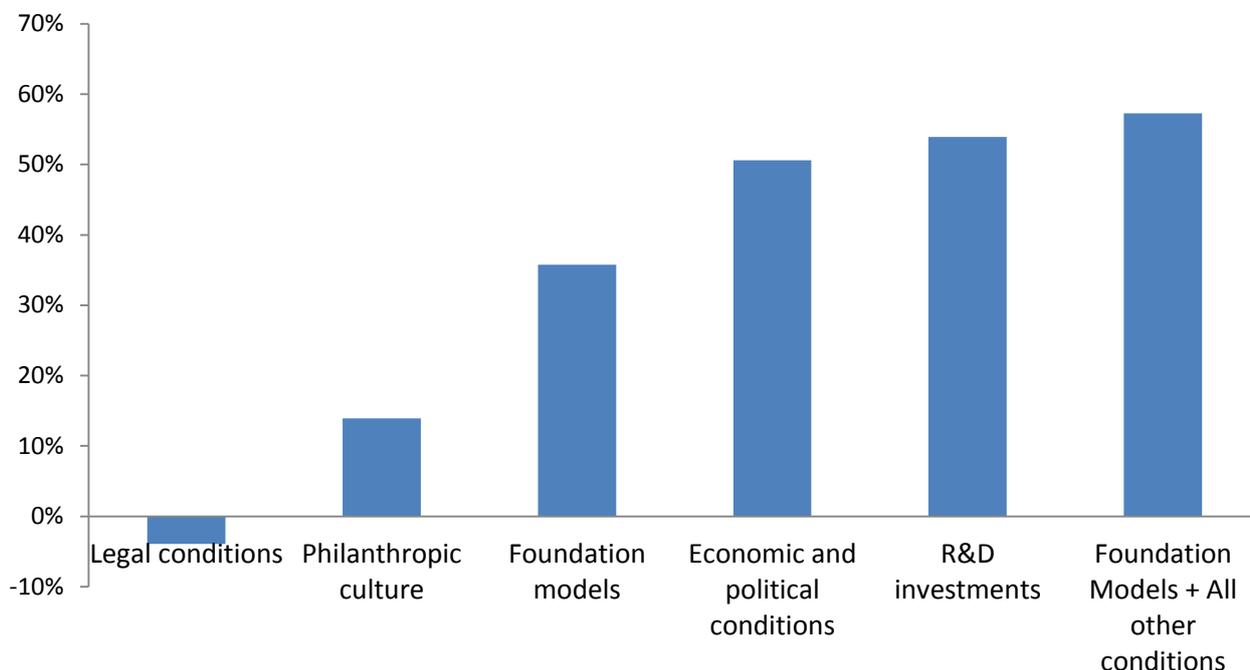
variance). The positive relationship between corporate investments and foundation activity is due in part to the influence of economic and political conditions

Foundation models alone explain about 35 % of the differences between the R&I foundations in Europe. However, when economic and political conditions and R&D investments are taken into account the foundation models explain little of the country-level variance in foundation activity. This is evident from the final bar in Figure 3.5 being only marginally higher than the preceding two bars. This result suggests that differences between foundation models to a large extent reflect differences in economic and political conditions and corporate R&D investment.

In theory, legal conditions could facilitate foundation activity. But we find no support for a link between agreeable legal conditions for foundations and foundation activity. Neither are the amount spent on research and innovation, the type of foundation (grantmaking vs. operating) nor the source of income (from an endowment or not) related to scrutiny by the authorities, the availability of tax deductions for donations, nor to tax exemptions for public benefit organisations such as foundations. These results are surprising. At the very least they suggest that the current legal conditions do not effectively support the work of research and innovation foundations.

When we take a closer look at the specific indicators for foundation activity, R&D investment and the eco-

**Figure 3.5: Proportion of country level variance explained by groups of factors**



nomic and political conditions we see that many different country characteristics are related to aspects of foundation activity. We find a higher R&I expenditure by foundations in countries with a higher score on the democracy index, offer more business freedom and have a higher GDP. Foundations in countries with a more philanthropic culture do not necessarily spend more on research and innovation, but are more likely to be of the grantmaking type and are more likely to receive income from an endowment. We find

that legal conditions are mostly not correlated with foundation activity. Business investments in research and innovation are higher in countries where foundations also spend more on research and innovation. Government investment is largely unrelated to foundation activity. If anything, government investment is related to marginally lower foundation activity.

### 3.3 Conclusion and discussion

This chapter has analysed country differences in terms of foundation activity. The activities of research and innovation foundations are determined primarily by characteristics that are specific to their organisations, such as their history and culture, their networks, the source of their endowment, and other similar characteristics. About two thirds of the differences between foundations in Europe are due to organisational characteristics. These factors determine most of the activities of foundations that support research and innovation in Europe.

However, there is also a significant part of foundation activity that is tied specifically to the country in which the foundations are established. Among the foundations that took part in our EUFORI study about one third of the differences in their activity can be ascribed to country characteristics alone.

The most consistent factor associated with the level of foundation activity is the *level of investment by corporate enterprise*. In countries in which corporations invest more in research and innovation, foundations also spend more. Also, research and innovation foundations are more likely to receive income from an endowment and are more likely to make grants to third parties in countries where corporate investment is higher.

*Government investment*, however, is not related to foundation activity once corporate investment is taken into account. If anything, government investment is related to marginally lower foundation activity. The positive relationship between corporate investment and foundation activity is due in part to the *better economic and political conditions* in countries where corporate R&D investment is higher.

Finally, *legal conditions* are largely unrelated to research and innovation foundation activity.

These results present a first analysis of the country differences in terms of foundation activity. We have used a pragmatic choice of variables that was limited by the low numbers of observations in various countries. Future research should collect more and better indicators for philanthropic culture to capture its potential influence. In our analyses we have not looked extensively at the interrelationships between different groups of factors that could influence foundation activity (as shown in Figure A3.1. in Annex III). Also, we would like to stress that these results should not be interpreted as necessities. We cannot establish the causal direction in the relationship between the variables we have examined.

Also we have ignored how the influence of organisational factors may differ between countries. These issues deserve more attention in future research. Specifically, we recommend further research on the legal conditions that should facilitate foundation activity. Our results suggest that countries that treat foundations in a more agreeable manner do not have a more active foundation sector supporting research and innovation. The national reports clearly indicate that in specific countries the establishment of foundations is affected by fiscal conditions. Comparing different countries in Europe, however, foundations in countries that treat foundations in a more agreeable manner do not more actively support research and innovation. Future research should seek to solve this puzzle.

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# 4 Strengths and weaknesses of European foundations supporting R&I

The national reports reveal that the strengths and weaknesses of foundations supporting R&I in Europe vary greatly from country to country. The national experts have made an extensive evaluation of the strengths and weaknesses of R&I foundations on a national level, taking into account the specific context of their country (for more information, refer to the national reports). Nevertheless, some common patterns emerge when analysing the strengths and weaknesses of R&I foundations in Europe. In the first section we discuss the common patterns in countries with a strong and weak R&I foundation sector, illustrated by examples from the national reports. What country-specific developments have stimulated the establishment of R&I foundations in countries with a strong R&I foundation sector? What barriers exist in countries with a low level of foundation activity? In the second section we focus on the strengths and weaknesses of R&I foundations' activities in Europe. Compared to other players in the domain of research (e.g. the government), what makes foundations unique? What impact do they have? But also, what can be considered as weaknesses of R&I foundations' activities in Europe?

## 4.1 Strengths and weaknesses: cases on a national level

The previous chapter helped us to understand the differences between countries in R&I foundation activity. It showed that a significant aspect of the strengths and weaknesses of R&I foundation activity is tied specifically to the country where the foundations were established. Higher R&I expenditure has been found by foundations in countries with a higher score on the democracy index, offer more business freedom and have a higher GDP. Foundations with high levels of R&I spending are most common in the UK and Germany, and in social democratic countries such as Sweden, Denmark and Norway.

The growth of private wealth, due to the industrialization and entrepreneurial success in the second part of the 20th century, had a major impact on the establishment of very large R&I foundations in these countries. The Swedish Knut and Alice Wallenberg Foundation, for example, was founded in 1917 by a donation of SEK 20 million by the chairman and his wife of Stockholm's Enskilda Bank. The foundation is one of the largest private funders of research in Sweden, with a yearly grantmaking budget of SEK 1.3 billion <sup>[1]</sup>. Also, in Germany and the UK accumulated wealth and economic surplus after WWII were drivers for the establishment of large R&I foundations; examples are Robert Bosch Stiftung, Fritz Thyssen Stiftung and the Wellcome Trust.

Besides the growth of accumulated wealth in some countries there are other country-specific developments that stimulated the existence of large R&I foundations in these countries. One of the strengths of

1 <https://www.wallenberg.com/kaw/en>

R&I foundations in the UK, for example, is their liberal character and their independence from the state. The UK is, according to the classification of Anheier and Daly (2007), an example of the liberal foundation model (see also Chapter 1). In the liberal model foundations have a significant, clear and distinctive role, mostly parallel to the state. The long history of independent grantmaking foundations in the UK, reinforced by legal regulations in the 17th century, is reflected by the prominence of grantmaking foundations in the UK nowadays.

*‘After the Reformation and the Charitable Uses Act 1601, philanthropy became increasingly secular rather than religious in its purposes and developed a degree of autonomy virtually unknown in continental Europe’.*<sup>[1]</sup>

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In Denmark, foundations play a unique role as owners of large and research intensive companies, often acting as a shelter for high private wealth taxes during the 1970s and 80s. These so-called industrial foundations account for about half of the total Danish R&D expenditure. Many of these industrial foundations combine commercial and charitable activity.<sup>[2]</sup>

In Sweden the conservative government in power (1991-1994) played an important role in the transformation of the public wage-earner funds (built up through taxes from employers) into private wage earner foundations during the 1990s. Proceeds from these privatisations were used as endowments for new foundations, and many of these were focused on research and higher education. The biggest of its kind in Sweden is the Foundation for Strategic Research, founded in 1994, with the objective of supporting research in natural science, engineering and medicine, which strengthens Sweden’s competitiveness. The founding capital was SEK 6 billion<sup>[3]</sup>.

*‘The official reasons behind the creation of these new large foundations, given by the conservative government at the time, were that foundations allowed for a more flexible way of organising and operating, and that the foundation structure was an already well-tested format for managing and distributing resources for research.’*

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1 Citation from the national report of the UK.

2 See also national report of Denmark.

3 See <http://www.stratresearch.se/en/About-SSF/Mission/>

*Later, it was also argued that the independent position of the foundations and the fact that they were so tightly bound by their original missions also ensured stability and long-term prospects in their operations'. [1]*

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If we look at countries with a relatively weak R&I foundation sector, we find low levels of R&I foundation activity in Eastern European countries where the philanthropic tradition and the populations' income suffered under Communist regimes. During the Soviet period after WWII, private philanthropic institutions, such as foundations, were dissolved and their assets were confiscated by the state. Private initiative was quelled for a long time and it was no longer allowed to establish foundations.

When the Communist period ended, the revival of the nonprofit sector was quickly reborn in countries such as Lithuania, Hungary and the Czech Republic due to deep historical roots of philanthropy. However, it is evident that a period of nearly 50 years of Communism had a major impact on the contemporary R&I foundation sector in Eastern European countries. Compared to other European countries there is a delayed development of (grantmaking) foundations supporting R&I in these countries. The weakness of R&I foundations in these countries is reflected by their financial vulnerability. Many foundations supporting R&I have a lack of appropriate funds, are mainly of the grantseeking type, have no or small endowments, and are mainly dependent on EU Structural funds or governmental subsidies. In many of the Eastern European countries research is generally perceived as the responsibility of the state and foundations' support for R&I is in a developmental stage. In Lithuania, for example, there are still a lot of barriers for the development of the foundation sector and private R&I funding. Different problems have been identified: a lack of sustainability on a policy level, legal gaps on a regulation level, legacies of soviet mentality on an individual level and a lack of major capital on an economic level [2].

If we look at other European countries where foundations have been historically closely supervised by the state, some positive developments have emerged from the national reports. In countries such as France, Belgium and Luxemburg, classified under the corporatist statist foundation model (Anheier and Daly, 2007; see also Chapter 1), their societies have been shaped by the Napoleonic Code of Civil Law. Legislation was unfavourable and potential donors were discouraged from establishing foundations. This explains why grantmaking R&I foundations did not flourish in these countries until the end of the 20th century. However, major recent changes in legal issues stimulated the creation of R&I foundations in these countries and reduced the role of the state. The creation of shelter foundations in these countries (Fondation de France, Fondation du Luxemburg and the King Baudoin Foundation in Belgium) may also be seen as initiatives to stimulate the creation of research foundations. These foundations enable smaller foundations to be set up under their aegis. A shelter foundation takes charge of the administrative work related to the establishment and operations of a foundation, which has major advantages for potential founders.

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1 Citation from the national report of Sweden.

2 See also the national report of Lithuania.

## 4.2 Strengths and weaknesses: cases on an organisational level

In this section we focus on the common patterns which emerged from the evaluation of the strengths and weaknesses of R&I foundations' activities.

The strengths of foundations supporting R&I in Europe are mainly related to the unique characteristics of foundations. Foundations are able to operate independently, they enjoy a freedom of choice in the projects they wish to support and are less subject to public control. These advantages offer foundations opportunities to make a difference in the research domain.

### Agenda setting, raising the public's interest and disseminating research

Foundations are rooted in society, established by 'founders with a passion', work with dedicated professionals and volunteers, and are strongly committed to the goals of the foundation. Foundations derive their legitimacy from the many contacts with the 'capillaries' in society that offer them the opportunity to function 'as the eyes and ears' for research and innovation. This makes foundations well equipped to disseminate research results in a broader public debate. When it comes to research-related activities, informing the public at large about the findings of basic or applied research is a common activity of foundations in Europe (mentioned by 77 % of the EUFORI foundations). The Gjensidige Foundation in Norway, for example, promotes the dissemination of research through supporting 'knowledge centers', which are popular scientific, experience and learning facilities where visitors learn by experimenting with a focus on mathematics, science and technology <sup>[1]</sup>. Another example of a project engaging the public's interest comes from the Slovenian Science Foundation, which organises annual science festivals where attendees can learn about scientific achievements. Each year the festival is dedicated to various great Slovenian or world-renowned scientists or thinkers in the field of science. The Bank of Cyprus Cultural Foundation, which aims to encourage the research and study of Cypriot civilisation, organises exhibitions, lectures and scientific conferences.

Foundations also play an important role in raising awareness of the importance of research in society. The national reports reveal that foundations stimulate and set the agenda for new developments. La Caixa foundation, for example, coordinates the Responsible Research and Innovation (RRI) Tools project, funded under the European Commission (EC) Seventh Framework Programme (FP7 2007-2013), and aims to build a better relationship between science and society <sup>[2]</sup>.

Health foundations, such as the British Heart Foundation and the Dutch Cancer Society, raise significant amounts of money to fight diseases by supporting research and by raising awareness about the prevention of these diseases. These health foundations represent an important group of Dutch foundations supporting research and innovation.

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1 Example derived from the national report of Norway.

2 See <http://www.rri-tools.eu/>; see also the national report of Spain.

## Support niches, underdeveloped areas and off the beaten track projects

Independence from the government and other players in the domain of research allows foundations to continue supporting those areas which they believe to be in greatest need of support. Foundations adopt ‘orphan research’ issues by supporting niches and underdeveloped areas which are neglected by research policies. While the government is largely concerned with creating facilities for all its citizens, foundations are able to be more selective and to make donations to less obvious causes. The Volkswagen Foundation, for example, encourages junior researchers from all disciplines with the ‘Freigeist fellowship’ to apply for funding for projects off the beaten track <sup>[1]</sup>. ‘The fellowship is for young researchers with a strong personality, a creative mind, an ability to identify and use freedom, dedicated to overcoming resistance.’ <sup>[2]</sup>

## Foundations as innovators and ‘risks-takers’

As foundations are more flexible in many situations, they are well placed to initiate new projects. By injecting a small amount of money to get an initiative ‘off the ground’, they can prompt other parties, such as the government, to finance its continuation. The Amsterdam University Foundation in the Netherlands provided the seed money for the digitalisation of the Iconographica Zoologica. The contribution was not nearly enough to create a digital collection of prints, but functioned as seed money for other partners to step into the project. Finally, the Dutch government provided the final money needed to finish the project <sup>[3]</sup>. The Volkswagen Foundation’s funding initiative called ‘Experiment! - in search of bold research ideas’ tries to pave the way for fundamentally new research topics even though the outcome is indefinite. A concept failure as well as unexpected findings is an acceptable result <sup>[4]</sup>.

It should be noted that the national reports contain a variety of examples of foundations supporting R&I in an innovative way. Please refer to the innovative examples of the country reports.

## Sustainability and flexibility

Foundations are able to commit themselves to long-term sustainable research issues; the larger ones are discovering more and more the added value of structural support. On the other hand foundations are able to adapt their activities and focus of support easily to the changing environment and the needs of society. Foundations are skilled to quickly respond to new developments and social and scientific challenges. The Wellcome Trust’s Ebola Research Funding Initiative is an example of the flexibility and resilience of foundations. As our national experts from Sweden say: ‘foundations are able to identify important areas of research, quickly allocate resources and at the same time act as an enduring partner.’ <sup>[5]</sup>

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1 Example derived from the national report of Germany.

2 See <http://www.volkswagenstiftung.de/nc/en/funding/persons-and-structures/freigeist-fellowships.html>

3 Example derived from the national report of the Netherlands.

4 Example derived from the national report of Germany; see also <http://www.volkswagenstiftung.de/en/funding/challenges-for-academia-and-society/experiment.html>

5 Citation from the national report of Sweden.

The strengths of foundations supporting R&I in Europe could be characterised by their specific role in agenda setting, raising the public's interest, disseminating research, supporting niche and underdeveloped areas as well as off the beaten track projects. Moreover, foundations as independent and risk-taking organisations are well placed to initiate new and innovative projects.

Looking at the weaknesses of foundations' activities, a couple of common patterns have emerged, mainly related to the large number of small foundations which are characteristic for the European R&I foundation landscape.

### **Financial dependence of many (small) foundations**

The European landscape of foundations supporting R&I is characterised by a few well-established foundations with substantial grantmaking budgets and a prominent role in the research arena, as well as many small foundations with modest resources, often operating in the background. The national reports reveal that most financially vulnerable foundations are small grantseeking foundations characterised by a lack of appropriate funds, no or small endowments and mainly dependent on EU structural funds or governmental subsidies. As a consequence the financial independence of these foundations is low, which could be considered as a weakness of a significant part of the European R&I foundation landscape. Although financially weak foundations exist in many European countries, they are most prevalent in Eastern European countries and countries such as Greece, Cyprus, Malta and Ireland.

### **Lack of professional foundation governance**

Strongly connected to the financial weakness of many smaller foundations supporting R&I in Europe is the lack of professional governance of these foundations. They are often run by dedicated voluntary boards without an office with paid staff. This is well illustrated by a national expert from Hungary:

*'Moreover, very few of the foundations can employ any kind of well-paid full-time employees. This is all the more problematic because voluntary boards (mainly consisting of scholars busy with their research activities) are rarely prepared for professional fundraising, management, communication, and marketing activities, especially not on a daily basis'. [1]*

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1 Citation from the national report of Hungary

## Lack of research identity, dialogue and visibility

Another weakness which emerged from the national reports, is the lack of a common research identity among foundations supporting R&I. Research is often not seen as a purpose/field in itself, but is instead used as an instrument for other purposes and areas in which foundations specialise. Approximately two thirds of the EUFORI foundations are not exclusively focused on R&I, and many of them do not define themselves as a research community. The lack of a common identity is reflected by a lack of dialogue between foundations, let alone the existence of R&I collaboration infrastructures or umbrella organisations for foundations active in the research arena. This could be illustrated by the evaluation of the strengths and weaknesses of the Dutch R&I foundations:

*‘The strength and dominance of the Dutch health foundations also signifies a weakness in the Dutch foundation sector: the overall narrow focus of foundations. We find that foundations often stimulate a particular research field such as the medical sciences and do not support science on a wider level. The very specific focus of foundations is also related to the fact that research is used as an instrument for other support areas rather than being a purpose in itself. Foundations therefore do not identify themselves as a “research” foundation and are not visible as such which makes it difficult for the public to find them. This lack of research profiling could also be a barrier for potential collaborations between foundations that have mutual goals but are not able to find other like-minded foundations’.* <sup>[1]</sup>

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1 Citation from the national report of the Netherlands

## References

Anheier, H.K. and Daly, S. (eds). (2007). *The Politics of Foundations: A Comparative Analysis*. Routledge: London and New York.

# 5 General conclusions

This concluding chapter reviews the key findings and discusses the main issues that have arisen in this report. The EUFORI Study was carried out by a network of researchers, foundation officers and scholars from 29 European countries (EU27, Norway and Switzerland). The conclusions are based on an extensive data analysis of the foundations participating in the online survey of the EUFORI Study (n=1591) and a qualitative and in-depth analysis of the national country reports.

## **Foundations supporting R&I in Europe: a relatively young and growing sector**

While foundations in many European countries have a rich history in the field of poverty and social care, strongly related to the Church and sometimes dating back to the late Middle Ages, foundations in the field of research are a relatively new and growing phenomenon in Europe. Based on the information in the national reports we have seen in many countries a considerable growth in the number of newly established foundations in Europe since WWII. Nearly three quarters of the EUFORI foundations supporting R&I have been established since the 1990s. This is not only in Eastern Europe, where it was not possible to set up a foundation under Communist regimes, but also in Western Europe. However, there are countries with a longer history with regard to foundations supporting R&I. In the UK, for example, 40 % of the foundations in the EUFORI sample were established before 1949. In Sweden research foundations have also historically played an important role in the research field.

## **Foundations spent at least EUR 5 billion on R&I in 2012**

In 2012 at least 991 foundations in Europe spent more than EUR 5 billion on research and innovation. The support of foundations for research and innovation in Europe has not been studied previously on such a large scale. Although this is the contribution of the most substantial part of R&I foundations in Europe, including the most important players in the research arena, this amount should be considered as a lower bound estimate. More than one third of the foundations participating in the EUFORI study (n=1591) were not able or reluctant to provide financial information about their expenditure on R&I. Moreover, out of the 12 000 – for the purpose of this study – identified foundations which could potentially support R&I in Europe, only 13 % participated in the EUFORI Study. It is therefore expected that the economic relevance of R&I foundations in Europe is higher than the lower bound estimation of EUR 5 billion.

Nonetheless, EUR 5 billion is still a considerable amount of money, especially when it is compared to the EU budget for Horizon 2020 (EUR 70.2 billion for a period of seven years). Assuming that the amount spent in 2012 is representative of other years, a rough calculation of the foundations' expenditure on R&I for the same period would amount to EUR 35 billion, accounting for half of the Horizon 2020 budget. Obviously, we should be careful when drawing conclusions about foundations' expenditure on R&I over a period of

time, as the EUFORI Study presents data for one year (2012). Foundations' support can fluctuate year by year. Discontinuity or lack of stability are often argued as one of the weaknesses of foundations' support, as foundations enjoy a high degree of autonomy and freedom in the allocation of funds. However, the EUFORI data report optimistic findings with regard to the expectations for research and innovation support in the following year (2013). A quarter of the 915 foundations that reported on their expenditure for the following year expected an increase. A large majority (61 %) expected that their expenses would remain the same. Only 12 % expected a decrease in their expenditure and 2 % expected their expenditure to R&I to cease. Compared to the previous year (2011), many foundations also reported positive findings. More than a quarter (26 %) of the 943 foundations reported that their expenditure on research and/or innovation had increased compared to the year before. A slight majority (53 %) expected their expenditure to remain unaltered compared to the previous booking year. 17 % of the foundations reported less positive findings: 150 foundations (16 %) indicated that their expenditure had decreased, and in 12 cases the expenditure had been discontinued.

Despite the fact that we can conclude that the contribution of foundations in the research arena in Europe is substantial, the economic weight of foundations' support for R&I is small compared to investment from other sectors such as the government and business sector. The gross domestic expenditure on R&D (GERD) in 2012 in the EU27 plus Norway (there was no 2012 data available for Switzerland) <sup>[1]</sup> accounted for EUR 275 billion (the business sector spent EUR 174 billion, the government EUR 34 billion Euros, the higher education sector EUR 65 billion and the private nonprofit sector EUR 2 billion). Although the expenditure of foundations is covered in the EU R&D statistics it was until recently not possible to distinguish the funding part of foundations. The EUFORI Study is the first attempt at a comprehensive mapping of the overall financial contribution of foundations supporting research across the EU. With a total (lower bound estimation) of EUR 5 billion the foundations' share in the gross domestic expenditure (GERD) of the EU27 (plus Norway) is relatively small (about 2 %).

This reflects how foundations see their own role in the research arena, that is complementary. Almost three quarters of the EUFORI foundations described their role as complementary to public support or the support of others, e.g. the business sector. It should be acknowledged, however, that from the beneficiary perspective the foundations' contribution can make a significant difference. Foundations' support for projects/programs on researcher mobility (career structure and progression) and the dissemination of research (seminars, conferences, etc.), for example, are of great importance for the researchers involved.

For 44 % of the foundations in the EUFORI Study, the initiating role is prominent. Foundations which could be characterised as independent and risk-taking organizations provide the seed money for new and innovative initiatives, sometimes in undersupplied or underdeveloped areas. This can be illustrated with the example of the Shell Foundation in the UK, which provided USD 3.5 million in seed funding to leverage an additional investment of USD 25 million to scale up and spin off the 'Breathing Space Programme: Indoor air pollution'. <sup>[2]</sup>

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1 <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

2 Example derived from the national report of the UK.

In this regard we share the conclusion of a former study on R&I foundations in Europe (Giving more for research, 2005: 8) <sup>[1]</sup>: ‘Foundations not only bring with them money (quantity) but also competences and unique characteristics (quality) which contribute to the pluralism of R&D funding’.

### **A skewed landscape of foundations supporting R&I**

There are large differences in foundations’ R&I expenditure between the countries in Europe. The top countries contributing to research are the United Kingdom (EUR 1.66 billion), Germany (EUR 0.58 billion), Denmark (EUR 0.44 billion) and Sweden (EUR 0.44 billion). Also striking is the skewness of the distribution in R&I expenditure by foundations in Europe. The expenditure of foundations in the UK is about four times the amount spent by foundations in Denmark and Sweden. Moreover, these four countries are responsible for two thirds of the total expenditure on R&I by the foundations identified in the EUFORI Study.

It should be noted that in many countries the total expenditure on R&I is heavily influenced by a few dominant players. The UK, for example, is the top contributor, but this is mainly due to the largest research foundation in the dataset: the Wellcome trust. This foundation by itself is responsible for 44 % of all research expenditure in the UK, and would rank 2nd place in Europe if was considered as a country. The same situation is true in other countries. In Portugal, for example, the Calouste Gulbenkian foundation is the main contributor to research, responsible for 50 % of the country’s foundation expenditure on research.

A few very large foundations in Europe are responsible for the largest share of the total expenditure on R&I in Europe. We can conclude that the foundation landscape consists of many smaller foundations which are overshadowed in the statistics by a few well-known, very large foundations.

### **Financially vulnerable foundations most prevalent in peripheral and post-Communist countries**

The EUFORI Study revealed that most R&I foundations in post-Communist (Eastern European countries) and peripheral countries (Greece, Cyprus and Ireland) are characterised by a lack of appropriate funds. Foundations are mostly grantseeking, have no or small endowments and are mainly dependent on EU structural funds or governmental subsidies. As a consequence the financial independence of foundations in these countries is low.

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1 European Commission (2005) ‘Giving more for research in Europe: the role of foundations and the non-profit sector in boosting R&D investment’. Directorate-General for Research: EC

## Variations in terms of R&I foundation activity between countries in Europe reflect the economic and political conditions and corporate R&D investment

The large variation in foundation activity between countries in Europe is due to a multitude of factors. Most aspects of foundation activity show moderately strong relationships with economic and political conditions. We find a higher R&I expenditure by foundations in countries with a higher score on the democracy index, offer more business freedom and have a higher GDP. These economic and political conditions foster corporate enterprise investments in R&D, which are positively related to the R&I expenditure of foundations. Foundations are also more likely to be of the grantmaking type and to rely on income from an endowment in countries with higher levels of business investment in R&D. Government investment is largely unrelated to foundation activity. Finally, we found that the current legal conditions are largely uncorrelated with foundation activity. Neither the amount spent on research and innovation, the type of foundation (grantmaking vs. operating) nor the source of income (from an endowment or not) are related to scrutiny by the authorities, the availability of tax deductions for donations, nor to tax exemptions for public benefit organisations such as foundations. This result suggests that the current legal treatment of foundations does not encourage foundation activity supporting research and innovation. Future research is required to uncover why legal treatment is not correlated with foundations' spending on R&I.

## A fragmented landscape of foundations supporting R&I

Due to a lack of systemised and exhaustive data on foundations in many countries the total number of foundations active in the area of research and innovation in Europe is unknown. The European landscape of foundations supporting R&I can be characterised by a few very large, well-known foundations with substantial budgets available for R&I and many small foundations with modest resources that often operate in the background. Following the strategy suggested in the FOREMAP Study, the EUFORI Study used data from existing registers and snowball sampling to build a comprehensive database of foundations supporting research and innovation. It turned out that the identification of foundations supporting R&I in Europe was a challenging one. Even in countries with a register or database it was still not easy to create lists, as the databases were not always up to date. The national experts identified more than 12 000 foundations which could potentially support R&I. We deliberately say 'potentially' as the sample might be blurred by the inclusion of non-existing or non-active foundations. It should be noted that the EUFORI Study reported on the most substantial part of the R&I foundation landscape in Europe.

So far the landscape of foundations supporting R&I in Europe may be described as young, growing and skewed. Another important conclusion resulting from the EUFORI Study is that many foundations supporting R&I do not consider their own foundation as an R&I foundation and do not define themselves as a research community. This could be explained by the fact that research and innovation is often not the exclusive focus of foundations. Approximately two thirds of the EUFORI foundations do not exclusively focus on R&I. Another explanation (which is closely linked to the previous one) lies in the elusive character of research and innovation. Research and innovation is often not seen as a purpose/field in itself, but is instead used as an instrument for other purposes and areas in which foundations specialise (such as health, technology and society). As a consequence, the landscape of foundations supporting R&I in

Europe could be described as fragmented. The lack of a common research identity among foundations supporting research and innovation is reflected by a lack of dialogue between foundations (occasionally between foundations that deal with similar topics, e.g. health foundations), let alone the existence of an R&I collaboration infrastructure or umbrella organisations for foundations active in the research arena. On a European level, however, there is some movement towards a collaboration infrastructure. The EFC Research Forum provides a platform for research funding foundations to learn, collaborate and advocate together. Current member foundations can be found among the very large and well-established research foundations in Europe, such as the Robert Bosch Stiftung, 'la Caixa' Foundation, Stiftelsen Riksbankens Jubileumsfond, Fundação Calouste Gulbenkian, Lundbeckfonden, VolkswagenStiftung, the Wellcome Trust, Fundación Barrié, the Foundation for Polish Science, the European University Association, and Fondazione Cariplo. <sup>[1]</sup>

### **127 billion Euros in assets: a considerable amount of money**

The assets of 1 052 foundations supporting R&I in Europe amounted to EUR 127 billion in 2012. This amount should be considered as a lower bound estimate since not all foundations participating in this study provided information on their financial assets. It is, on the other hand, estimated that the asset information of the largest foundations contributing to R&I is included.

Estimates of the collective assets of European foundations are quite rare, but the Heidelberg Centre for Social Investment reported in their Feasibility Study on a European Statute (2007) that the total assets of European (EU27) foundations range between EUR 350 billion and EUR 3 trillion. This is a rough estimate, but it demonstrates that the economic weight of the assets of the R&I foundations participating in the EUFORI study is very substantial. The lower bound estimate of EUR 127 billion in assets is higher than the GDP of Hungary (EUR 98 billion) and Latvia (EUR 23 billion) together.

Whether this substantial amount of money could be considered as an untapped potential for R&I in the future will be discussed in the next chapter.

### **Cross-border giving in Europe in its early stages**

Foundations supporting R&I in the EUFORI Study allocated 90 % of their expenditure for these purposes at a national or regional level. Based on the information in the national reports this is mainly caused by the statutes of a foundation which often impose restrictions on the geographical focus of a foundation. Moreover, the small financial basis of many foundations do not allow them to become active on an international level. However, this does not mean that foundations' support is not internationally oriented. From the FOREMAP Study it became apparent that foundations may fund the national dimension of an international research program, or they may fund scholarships and chairs in their own country for outstanding researchers from abroad.

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1 [http://www.efc.be/programmes\\_services/thematic-networks/research/Pages/default.aspx](http://www.efc.be/programmes_services/thematic-networks/research/Pages/default.aspx)

There are only a few big foundations in Europe that operate across national borders. The VolkswagenStiftung in Germany, for example, has a strong tradition in supporting the internationalisation of research in many parts of the world. The EUFORI Study results show that only a small percentage of the quarter of EUFORI foundations that operate across their national borders experience difficulties. However, based upon these data we cannot conclude that barriers do not exist. It might be unsurprising that foundations already operating abroad hardly experience any difficulties. Foundations that are currently operating on a national level may face barriers that prevent them from cross-border giving.

In February 2012 the European Commission presented a proposal for a European Foundation Statute in order to facilitate the cross-border activities of public benefit purpose foundations and to make it easier for them to support public benefit causes across the EU. The European Foundation Centre (EFC) and the Donors and Foundations Networks in Europe (DAFNE) play an important role in increasing awareness and support for the creation of a European statute for foundations at a European and national level. In order to illustrate and justify the need for a Statute, the EFC collected many concrete examples, where foundations share their experiences and views on cross-border giving (EFC, 2012). The Portuguese national report illustrates that obstacles related to bureaucracy and administrative burdens were experienced when foundations carried out the implementation of joint projects on an international level. Also, from the donor perspective tax benefits with respect to donations made to foundations abroad are limited.

On the 16th of December 2014 the new Juncker Commission decided that the European Foundation Statute will not be part of its so-called 'better' regulation agenda for 2015. The European Foundation Statute is one of the 80 proposals that the European Commission has decided to withdraw from the legislative agenda.<sup>[1]</sup>

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1 [http://www.efc.be/programmes\\_services/thematic-networks/research/Pages/default.aspx](http://www.efc.be/programmes_services/thematic-networks/research/Pages/default.aspx)

# 6 Recommendations: next steps

## Introduction

In this final chapter we present recommendations based on the results of an extensive survey of 1 591 foundations supporting R&I in Europe and a qualitative analysis of 29 different country reports. Due to the diversity in cultures, historical contexts, and legal and fiscal frameworks of European countries, the recommendations are general in nature. It should be noted, however, that all the countries have their own national country reports, including analyses, best practices, conclusions and extensive recommendations.

If we take the results and conclusions of the former chapters into account, what's the overall diagnosis of the state of the art of foundations involvement in EU research and innovation? At the level of descriptive statistics we have concluded that foundations contribute a significant amount of money to R&I (annually at least EUR 5 billion – a lower bound estimation – in comparison to the EC annual R&I investment of approximately EUR 10 billion). If we look at the comparative analysis, explaining variables have been explored; foundation activity show moderately strong relationships with economic and political conditions. We have found higher R&I expenditure by foundations in countries with a higher score on the democracy index, offer more business freedom and have a higher GDP. Another important conclusion from the study is that the landscape of foundations supporting R&I in Europe could be characterised as being fragmented; dominated by a few very large foundations in the research arena.

Considering the underlying potential, actions towards greater support by foundations for research and innovation should and must involve engaging all actors: national governments, EU institutions, the foundations themselves, the corporate sector, universities and other research institutes, and the public at large. 'Action always happens in situations, their success depends upon the way the action is performed by specific actors in specific situations'. <sup>[1]</sup>

The report's recommendations underline the importance of a clear commitment on a political level to move things forward. Also, next to a clear commitment at a political level, the foundations supporting R&I should identify common issues, interests and needs, and commit themselves to fulfilling those needs.

The main objective of the recommendations made in this final chapter is to increase the potential of R&I foundations in Europe. Specifically, the recommendations aim to:

- increase the impact of existing R&I foundations;
- increase the funding by R&I foundations to R&I;

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1 Kaufmann, F-X. (1987) In: K. Hurrelmann, F-X. Kaufmann and F. Lösel (Eds). *Social Intervention: Potential and Constraints*. Berlin/New York: De Gruyter p. 3-4

- increase the income of R&I foundations;
- create new R&I foundations.

### Recommendation 1: Increase the visibility of R&I foundations

This recommendation is addressed to foundations, national governments, the EC and EU administration, businesses and the public at large. It relates to the current fragmented landscape of R&I foundations in Europe. The landscape of foundations in Europe is characterised by a few well-established foundations and many smaller foundations with modest resources mainly operating in the background.

Growing visibility will enhance the impact of existing funding. If foundations become more aware of each other's activities, the effects and impact of their contributions can be increased. Moreover, the other stakeholders involved such as the business community and research policy-makers will become knowledgeable about the foundations' activities. From the perspective of the beneficiaries, research institutes, universities and researchers will more easily find their way to foundations. Visibility will lower the transaction costs for all the parties involved:

- For foundations, governments and businesses it will increase their knowledge about on-going research/new research funded and vice versa.
- For grantmaking foundations it will facilitate the review process of research proposals and submissions; it is to be expected that more visibility will reduce the amount of incorrect applications.
- For the beneficiaries of the foundations' support (research institutes, universities and researchers) – the grantseekers – it will increase their funding opportunities, they will more easily find their way to foundations, and it will facilitate submission processes.
- For potential (major) donors it will offer visible causes to benefit. Increasing the visibility of R&I foundations could have a positive effect on potential (major) donors as it could encourage them to support a research foundation.

Increasing the visibility of and information about R&I foundations was already addressed by an expert group in 2005. <sup>[1]</sup> They argued: ‘.. foundations and their donors would be more aware of the foundation landscape (increasing collaborative working and, possibly, giving), foundations' contribution to various sectors could be properly assessed and the information could inform policy-making in this area. It is in fact a prerequisite to other actions’ <sup>[2]</sup>

The present EUFORI study is a step forward. A lot of information is now available. Next to this synthesis report, 29 country-reports, new data, an active network of researchers and the EUFORI website can contribute to the profiling of the R&I foundation sector in Europe.

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1 Report ‘Giving more for research: the role of foundations and the non-profit sector in boosting R&D investment’ p. 62

2 Oc. p. 62

With the exception of some large and well-established foundations in Europe, there is a lack of a common research identity among the foundations supporting R&I in most countries. Research and innovation are often not seen as a purpose/field in itself but are instead used as an instrument for other purposes and areas in which foundations specialise (such as health, technology, society). This is reflected by a lack of dialogue between the foundations supporting R&I (occasionally between foundations that deal with similar topics, e.g. foundations supporting cancer research).

Bringing foundations together at a European level and following the recommendations of the expert group from 2005, the European Foundation Center (EFC) created the European Forum of Research Foundations. This forum provides a platform for a group of large and well-known R&I foundations in Europe. In order to increase the visibility of foundations supporting R&I at a national level, the encouragement of the creation of national forums of research foundations is recommended as the next step. The opportunities and mutual benefits for foundations supporting R&I at a national level should be explored.

*Next step: Explore the opportunities and mutual benefits of the creation of national forums of research foundations*

## **Recommendation 2: Explore synergies through collaboration**

Unity in diversity is one of the main challenges for all the players involved in the R&I domain. These players can be distinguished in the domain of research (governments, business, foundations and research institutes/researchers), each with their own distinctive role. Together these groups can make a difference in increasing the potential for R&I. They can create synergy through collaboration, which should be interpreted in the broadest sense, varying from information sharing, networking, co-funding and partnerships. Mutual advantages can be derived from pooling expertise, sharing infrastructure, expanding activities, pooling money due to a lack of necessary funds, avoiding the duplication of efforts and creating economies of scale.

### **Get to know each other, meet and see where to reinforce each other's efforts**

Based on the conclusions of the EUFORI Study there is an indication for the need for improved dialogue, information exchange, networking and cooperation between the foundations supporting R&I, as well as between foundations, governments, business and research institutes (researchers). The needs, opportunities, mutual benefits and barriers for collaboration should be further explored, including mutual responsibilities when cooperating. The creation of national forums or networks of foundations supporting research and innovation, regular meetings between the foundations and other stakeholders involved (national government, EU government, research institutes and business) could bring these groups together.

### **Next step: Launch a Collaboration Infrastructure Study**

An EU-wide study is recommended on the needs, opportunities, mutual benefits and barriers for collaboration between foundations, national governments, the European Commission, the business sector and

research institutes. A network of national experts (mostly members from ERNOP) built for the EUFORI study can be of added value for this study and can facilitate the collaborative relations between the EC/RTD, the R&I foundation sector and other stakeholders in Europe. It would be well-advised to set up an independent expert group before the start of this study with selected experts and stakeholder representatives in the field of foundations, the business sector, research institutes and public authorities at a national and European level. The expert group should provide input for the design of the study and could adopt an advisory role. Subsequently, it is recommended that the study will be finished by a follow-up conference for all the players involved aimed to discuss the implementation of the outcomes of the Collaboration Infrastructure Study.

In this call for collaboration we have to consider two possible, interrelated pitfalls; namely the danger of 'substitution' and the danger of threatening the independence of foundations. Foundations, and civil initiatives in general, make their own choices and preferences and are based on social democracy. Governments, on the other hand, have their own responsibility based on political democracy. Businesses have their own market-driven values. Sometimes they reinforce each other, sometimes they may act as opponents. It concerns different worlds, differing in terms of constitution, values, legitimacy and organisation style. The independence of private R&I foundations should be respected. Foundations derive their legitimacy from many contacts with the 'capillaries' in society, thus offering them the opportunity to function 'as the eyes and ears' for innovation. This grass-roots connection represents the philanthropic tradition in Europe: 'voluntary action to serve the public good'.

### **Recommendation 3: Create financially resilient foundations**

This recommendation is addressed to foundations. The EUFORI Study reveals that the most financially vulnerable foundations are small grantseeking foundations characterised by a lack of appropriate funds, no or small endowments, and are mainly dependent on EU structural funds or governmental subsidies. To assure their sustainability, foundations should therefore aim to become financially resilient, less dependent on uncertain or single streams of income.

#### **Diversify sources of income**

To assure the resilience of (smaller and medium-sized) foundations, the dependency of a single income source need to be reduced or should be considered as a carefully selected strategy for foundations with a specific purpose. The creation of a broad income base is only likely to be successful if the importance of a foundation's mission is shared across different sectors in a specific country. Adding innovative fundraising strategies (e.g. crowdfunding), might be another strategy to reduce dependency.

#### **Building endowments**

Broadening the financial base of foundations can also be achieved by establishing an endowment. Foundations that are currently reliable on a single source of income should consider working on building an endowment. Moreover, in order to safeguard survival, foundations working to build an endowment should also consider joint ventures with other foundations that are facing the same issues, or by joining a shelter foundation.

## **Explore the opportunities in creating and investing in social ventures**

Collaboration by foundations with commercial enterprises could be a next step, taking the form of social ventures or social enterprises. Proceeds from privatisation and the raising of private equity invested in a new breed of foundation as 'Social Venture Foundations' could be one outcome of this kind of collaboration. Second, we suggest that the combined investment of commercial enterprises and foundations with a financial and societal desirable return might raise the amount available for research and innovation. Innovative start-ups and SMEs can provide a feasible scale of operations.

Besides creating social ventures, another opportunity to become financially resilient would be by investing in (new) social ventures. Through this, foundations can potentially use their assets instead of their annual revenue to realise their missions. From the EUFORI Study, we have learned that foundations hold around EUR 127 billion Euros in assets. A part of these assets would potentially be available to be invested in research and innovation. However, an important challenge that comes with using assets to raise these investments in research through social ventures consists of the characteristics of the assets available. Most assets are invested for the long term. An important recommendation to national governments and the European Union lies in facilitating investment in research and innovation ventures, e.g. by guaranteeing investment (risk) by foundations through a national bank or the European Investment Bank, or by using a system of 'matching' foundations' investments in research and innovative ventures, thereby lowering the risks involved. This system could be created following the EU Investment Plan launched by EC President Juncker in November 2014.

## **Introduce a system of 'matching funds' for foundation-supported research projects at both a national and EU level**

Next to matching investment in social ventures, national governments and their EU counterparts are advised to provide matching funds for grants made by foundations to R&I projects. Examples of these matching funds can be found in Norway and the United Kingdom.

The outcomes of fundamental research may not directly lead to any particular application or innovation. Much more than applied research, basic research is dependent on long-term financial commitments. As a consequence, support for basic research in particular could be stimulated by the introduction of matching funds.

Providing matching funds could also function as a way to enable foundations to build an endowment. The national report from the United Kingdom can serve as an inspirational example to stimulate corporations and foundations to invest in building an endowment with a specific research focus, while the government provided the matching funds.

This system could consist of a mechanism that induces a matching grant from the government after foundation support has passed a certain amount, and could be limited to a maximum amount or a percentage of the total project. In addition, this mechanism might not only be applicable for foundations' grants to (basic) research and innovation, but also for the donations of commercial enterprises and individuals.

It is generally understood that a system of matching grants is more effective than indirect support by using indirect taxation measures. A system of matching grants can be applied to all desirable societal causes, but if it only aims at an increase in donations to R&I, part of the system could be to provide the matching funds to R&I-related donations only.

#### **Recommendation 4: Improve the legal and fiscal system**

The national reports presented in this study display a variety in the way national legislators treat foundations, both legally and fiscally. Some national reports pointed out that the legal and fiscal conditions seem to hamper the establishment and functioning of foundations supporting R&I.

Moreover, the different legal treatment of foundations in different countries limits cross-border giving. The following recommendations are focused on reducing legal barriers for the creation and functioning of foundations, and are addressed to national governments for their implementation, while the EC can play a facilitating role by providing a platform to exchange information on best practice.

#### **Remove barriers and streamline regulations to set up a foundation**

In many EU countries, state approval is required to establish a foundation. However, some legislators put in place even stricter rules about the mission, operations and organisational structure of foundations. Reports from the Czech Republic and Hungary indicate that legislators do not promote or stimulate foundations as a legal structure to support research and innovation. However, in some countries (i.g. Italy, the Netherlands, Sweden), there are very few formal requirements to start a foundation. Another liberal model to engage in philanthropic activities by setting up a foundation can also be found in the UK; the longstanding liberal model is considered one of the reasons why there is such a thriving foundation sector.  
[1]

European countries vary enormously in terms of the legal types of foundations. Some countries distinguish between multiple forms of foundations, which may all serve a specific purpose (e.g. Austria, France, Portugal), while others simply recognise one type of foundation that can have any legal purpose (e.g. Germany, the Netherlands). This complex structure may lead to unwanted outcomes for both legislators and foundations, as the Austrian and Belgian reports indicate.

Another requirement that can be found in many EU countries is the requirement to have a minimum starting capital to set up a foundation. For many young (fundraising) foundations or foundations that rely on government subsidies (e.g. in Eastern Europe), this initial capital may form a barrier to starting up a foundation. Keeping in mind that foundations benefit from an enabling environment, national governments might, after carefully reviewing the process of setting up a foundation, consider removing and streamlining the formal requirements to set one up.

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1 Although not a technical term, the word 'foundation' is increasingly used informally in the UK to refer specifically to charities which have an independent, sustainable source of funding, often a large endowment of money, and which have as their main activity the funding of other charitable purposes, individuals and organisations through grants.

Ideally, there should be a legal form of foundation that is recognised as such in all the EU countries. The European Foundation Statute, as initiated by the European Commission and supported by the European Foundation Centre, might serve as a blueprint for such an EU-wide recognised foundation. Several national reports point out that this will lead to an increase in cross-border grants, and will broaden the scope of potential projects for R&I foundations. However, if it is unfeasible, an incremental strategy would be to accept the strictest legal system as a starting point as to be accepted by all, and to gradually move to an EU-wide understanding of what a foundation is. Some European countries (e.g. the Netherlands) already recognize legal entities that have been established in other European countries. This process could be stimulated.

### **Remove barriers to foundations' operations**

Some legislators forbid or put strict rules on foundations to engage in economic activities besides their public benefit purpose, nor do they allow the freedom to invest their endowments. This is, for example, the case in the Czech Republic and Slovakia. If they increase private support for the public good, foundations should be able to develop economic activities that allow them to support research and innovation. Therefore, the relevant national bodies are advised to remove all legislation that hampers investment by foundations. However, in order to prevent an unwanted accumulation of capital within a foundation, legislators might consider introducing disbursement policies.

### **Improve the fiscal conditions for foundations supporting R&I**

Foundations supporting research and innovation are subject to different fiscal regimes. In most countries, donations to foundations from households and corporations can be deducted from income tax, but thresholds, percentages, amounts and ceilings vary. For example, in Finland it is not possible to deduct a donation to a foundation supporting R&I from income tax, while in Ireland there is no ceiling for deductions above EUR 250. The same differences emerge if we look at corporate tax. It would be advisable to explore the most effective fiscal treatment that stimulates donations to foundations supporting R&I.

However, a more important gain would be to reconsider the tax treatment of economic activities, as this would lead to more investment in research and innovation. Most EU countries only allow a tax exemption on income from trading activity that is related to a public benefit purpose. Other trading income which does not further a public benefit purpose is taxed at the standard corporate income tax rate. A few countries allow income from non-public benefit purposes trading up to a certain threshold, for example Germany, the Netherlands, Spain and the UK.

Together with removing the barriers that prevent R&I foundations from investing in non-purpose related activities, this system enables foundations to get a higher return on investment. In this way, foundations can become vehicles for investing in research and innovation more effectively.

## **Recommendation 5: Integrate philanthropy as a part of the EU welfare state paradigm**

This recommendation is particularly addressed to EU policymakers, EU politicians and national politicians. In many countries R&I is often perceived as a remit of the government. A ‘change of culture’ is necessary in universities, research institutes and national governments to integrate philanthropy in the public domain. Promoting a giving culture will increase funding for foundations. It will also bring about a change of culture in universities and research institutes which are not used to raising funds from philanthropic sources.

### **Reinvent the European philanthropic tradition by integrating philanthropy in the EU welfare state paradigm**

Europe has a long history of philanthropy and charity, stretching back to the early Christian period, through the Middle Ages, all the way to the nineteenth and the early twentieth century, the era of industrialisation, the rise of capitalism and poverty. In his book *Philanthropy, Patronage and Civil Society* Thomas Adam stresses the European roots of modern philanthropy. He concedes that ‘Philanthropy has thus been widely seen as an American invention and as a distinct American approach to modern life’,<sup>[1]</sup> but shows that ‘philanthropy is a European, not an American invention’.<sup>[2]</sup> Philanthropy can thus be considered as one of the constituents of our modern European society. This report shows that foundations play an important and growing role in supporting research and innovation. The abovementioned recommendations indicate that there is still a lot of potential for support from foundations.

In the UK and in The Netherlands national governments have created policy units to meet their respective philanthropy sectors. The UK started the Compact in 1998, followed by the Big Society; in the Netherlands the Covenant was established in 2011. This development in these countries may be analysed as follows: a cultural shift in the welfare state paradigm whereby private efforts were integrated into the public domain, thus leading to the institutional recognition of voluntary, philanthropic contributions. The policy and politics of increasing partnerships became polity.

Philanthropy has been until now an an isolated issue on the EC commissioners’ agendas. However, the social market and cohesion target stipulated in the EU 2020 strategy has opened a new window of opportunity. The focus on research and innovation is important, but it captures only a fraction of the growing societal significance of philanthropy. Philanthropy is not just a financial instrument for research and innovation. Foundations and fundraising charities fund important public services. It is an integral part of the resilience of societies and a key ingredient of social cohesion. Finally, by integrating philanthropy into the EU welfare state paradigm, philanthropy may truly live up to its potential as a way to increase economic growth and to create jobs for Europe.

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5 Adam, 2004: 3

2 Oc. p. 5

# Annex

# Annex I List of national experts

<b>Austria</b>	Hanna Schneider Reinhard Millner Michael Meyer	Institute for Nonprofit Management, WU Vienna
<b>Belgium</b>	Virginie Xhaufclair Amélie Mernier	HIVA, Research Institute for Work and Society
	Johan Wets Caroline Gijssels	HEC Management School - University of Liege
<b>Bulgaria</b>	Stephan Nikolov Albena Nakova Galin Gornev	Institute for the Study of Societies and Knowledge, Sofia
<b>Cyprus</b>	Dionysios Mourelatos	National and Kapodistrian University of Athens
<b>Czech Republic</b>	Miroslav Pospíšil Kateřina Almani Tůmová	Masaryk University, Brno
<b>Denmark</b>	Steen Thomson Thomas Poulsen Christa Børsting	Center for Corporate Governance, Copenhagen Business School
<b>Estonia</b>	Ülle Lepp	Independent researcher
<b>Finland</b>	Kjell Herberts Paavo Hohti	Åbo Akademi University Council of Finnish Foundations
<b>France</b>	Edith Bruder	CERPHI
<b>Germany</b>	Helmut Anheier Volker Then Tobias Vahlpahl Georg Mildenberger Janina Mangold Martin Hölz	<i>CSI Heidelberg</i>
	Benjamin Bitschi	ZEW Mannheim
<b>Greece</b>	Dionysios Mourelatos	National and Kapodistrian University of Athens
<b>Hungary</b>	Éva Kuti	Association for Nonprofit and Social Studies
<b>Ireland</b>	Gemma Donnelly-Cox Sheila Cannon Jackie Harrison	Centre for Nonprofit Management, School of Business, Trinity College Dublin
<b>Italy</b>	Giuliana Gemelli Maria Alice Brusa	DISCI - Department of History, University of Bologna
<b>Latvia</b>	Zinta Miežaine	Independent researcher
<b>Lithuania</b>	Birutė Jatautaitė Eglė Vaidelytė	Civic Responsibility Foundation Kaunas University of Technology
<b>Luxembourg</b>	Diane Wolter	Banque de Luxembourg

<b>Malta</b>	Richard Muscat	University of Malta
<b>Netherlands</b>	Barry Hoolwerf Danique Karamat Ali Barbara Gouwenberg	VU University Amsterdam
<b>Norway</b>	Karl Henrik Sivesind	Institute for Social Research
<b>Poland</b>	Jan Jakub Wygnański	Unit for Social Innovation and Research SHIPYARD
<b>Portugal</b>	Raquel Campos Franco	School of Economics and Management, Catholic University of Portugal
<b>Romania</b>	Tincuta Apateanu	Independent researcher
<b>Slovak Republic</b>	Boris Strečanský	Center for Philanthropy n.o.
<b>Slovenia</b>	Edvard Kobal	Slovenian Science Foundation
<b>Spain</b>	Marta Rey-García Luis-Ignacio Álvarez-González	University of A Coruña University of Oviedo
<b>Sweden</b>	Stefan Einarsson Filip Wijkström	Stockholm School of Economics
<b>Switzerland</b>	Georg von Schnurbein Tizian Fritz	University of Basel
<b>United Kingdom</b>	Cathy Pharoah	Centre for Charitable Giving and Philanthropy, Cass Business School, City University
	Meta Zimmick	Centre for Charitable Giving and Philanthropy, Cass Business School; Practical Wisdom R2Z.

# Annex

## II Methodology

### Introduction

The aim of the EUFORI Study is to quantify and assess foundations' financial support and policies for research and innovation in the EU, to make a comparative analysis between the EU Member States, and to identify trends and the potential for future development in this sector .

In order to achieve the objectives of the EUFORI Study the research project consisted of the following stages :

#### **Building a network of national experts**

The EUFORI Study was carried out by a network of researchers, foundation officers and scholars from 29 European countries. Most researchers are members of the European Research Network on Philanthropy (ERNOP). ERNOP was founded in January 2008 by collaborating philanthropy researchers in order to advance, coordinate and promote excellence in philanthropic research in Europe. Currently almost 150 researchers in more than twenty European countries have joined ERNOP .

#### **Identification R&I foundations in Europe**

An important goal of the EUFORI Study is to identify and build a comprehensive contact database of foundations supporting research and innovation in all the Member States. Following the strategy suggested in the FOREMAP study, the EUFORI Study used data from existing registers and snowball sampling to build a comprehensive contact database of foundations supporting research and innovation.

#### **National survey among the identified foundations**

In order to assess the foundations' financial support and policies for research and innovation, data collection has been carried out among the identified foundations in each country by means of an online survey. The survey questions were structured along the following topics: types of foundations, sources of income, assets, expenditure on research and innovation, types of support, focus of support, geographical dimensions of activities, foundations' operations and practices, and the role of foundations in the area of R&I.

#### **Interviews with foundation professionals**

To contextualise the findings from the quantitative study, additional interviews with foundation professionals were crucial to gain a more in-depth understanding of the foundations' activities and their impact in the research/innovation arena.

## Concrete examples of innovative practices

The identification of innovative and successful examples of research and/or innovation projects with a major impact in the field enables the sharing of best practice between Member States. Innovative examples will enrich and illustrate the findings from the survey.

## 1 Scope of the Study

The EUFORI Study's methodology builds on the FOREMAP Study<sup>[1]</sup>, refining its methodology, extending the number of countries covered and conducting a comparative analysis. The differences within the European Union, among the foundation sector, required a methodology that would be able to generate comparative results, while at the same time allowing for some flexibility in application. The most important lesson learned from the FOREMAP study was that definitions only serve as a reference.

### Defining a foundation

There is no common legal definition of a foundation across the EU as definitions vary considerably in national laws. The term 'foundation' in Europe can have different meanings due to diverse cultures, historical contexts and legal/fiscal frameworks. Nevertheless, across the foundations in Europe there is a general understanding of what public benefit foundations are, as illustrated by a couple of common key features. For the purpose of this study the following functional definition, articulated by the European Foundation Center and its members, has been used:<sup>[2]</sup>

'Independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programs'.

In order to get a clearer understanding of the foundations eligible for inclusion in the study, several elements of the abovementioned definition will be clarified: public benefit purpose, independent organisation and endowment.

### a) Public benefit purposes versus private purposes

All the Member States require that a foundation is dedicated to a specific purpose<sup>[3]</sup>. However, there are differences between the Member States with regard to the nature of that purpose. In most Member States foundations are only legally permitted to pursue 'public benefit purposes', which is the so-called 'public benefit foundation'. Apart from the public benefit foundation, some Member States also accept

1 EFC, Understanding European Research foundations. Findings from the FOREMAP project. European Foundation Centre, 2009.

2 European Foundation Centre 2007. Foundations' legal and fiscal environments. Mapping the European Union of 27. Brussels: European Foundation Centre..

3 See p. 52-62: Feasibility study on a European Foundation Statute: [http://ec.europa.eu/internal\\_market/company/docs/eufoundation/feasibilitystudy\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/eufoundation/feasibilitystudy_en.pdf)

other types of foundations pursuing other (private) purposes. Several Member States accept, for example, the ‘family foundation’, which is a foundation for promoting the benefit of members of the family of the founder, or the ‘enterprise purpose’ foundation, which is a foundation with the purpose of preserving and maintaining the enterprise. It should be emphasised that foundations established for the sole private purpose of supporting family members of the founder or preserving or maintaining an enterprise are excluded from the study. However, foundations with hybrid purposes, having both a public benefit purpose (research and innovation) and a private purpose, are included in the study.

## **b) Independent organisation**

A second important aspect of the definition of a foundation is the reference to an ‘independent organisation’. A foundation is a separately-constituted and self-governing organisation, which can be defined as:

### *Separately-constituted:*

‘Foundations are institutionally separate from government and are “non-governmental” in the sense of being structurally separate from public agencies. In some Member States foundations can be created and set up by government, can receive significant government support and can even have government officials sit on their boards. However, foundations do not exercise governmental authority and are outside direct majoritarian control’. <sup>[1]</sup> (Anheier, 2001: 41-42).

### *Self-governing:*

‘Foundations are equipped to control their own activities. Some foundations are tightly controlled either by governmental agencies or corporations, and function as parts of these institutions, even though they are structurally separate. Self-governance implies that foundations must have their own internal governance procedures, enjoy a meaningful degree of autonomy, and have a separate set of accounts in the sense that assets, expenditures and other disbursements must not be part of either governmental or corporate balance sheets’ (Anheier, 2001: 42).

### *Private law versus public law*

When the government acts as a founder or funder of the foundation, in some countries it may set up either a public law foundation or a private law foundation <sup>[2]</sup>. If the foundation is established under public law, it will be considered as being part of the State’s administration (public law foundation). However, under private law, governments are able to establish foundations outside the direct state administration (private law foundation).

In order to differentiate between the complex public-private boundary and to clarify which foundations are eligible for inclusion in the study, we refer to the ‘Spanish case’.

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1 Anheier, H.K. (2001) Foundations in Europe: a comparative perspective. In: Schlüter, A., Then, V. and Walkenhorst, P. (eds). Foundations in Europe. London: Directory of Social Change.

2 Garcia-Andrade, J. (2001) Establishment, Amendment and liquidation of foundations. In: Schlüter, A., Then, V. and Walkenhorst, P. (eds). Foundations in Europe. London: Directory of Social Change (627-660).

Publicly founded and/or controlled and/or funded foundations are prevalent in Spain. Moreover, their prevalence is particularly prominent among R&D foundations, as the foundation formula is typically used to articulate public-private collaboration in this area. In their research project on the Spanish foundation sector, Rey and Alvarez (2011) <sup>[1]</sup> decided to *exclude* publicly founded and/or controlled and/or funded foundations, established under *public law*. As these foundations are subject to the same legal regime applicable to the public administration in their ordinary operations, they considered these foundations to be not truly independently governed (which is in fact one of the key defining features of a foundation). They are rather similar to any public administrative unit. Therefore, in the Spanish study, only publicly founded and/or controlled and/or funded foundations, subject to *private law*, were *included* in the study.

For the purpose of this study we suggested to use this criterion (the distinction between private and public law) in order to decide whether a publicly founded and/or controlled and/or funded foundation is able to operate as an independent organisation. Due to different legislations, this (legal) criterion cannot be applied to all Member States. Therefore it should be emphasised that foundations founded by the public sector or receiving a significant proportion of their income from the government are included in the study as long as they operate as an independent organisation and have freedom (i.e. no political interference in decision-making) in the allocation of funds to R&I purposes.

With any comparative definition some problems remain at the 'edges', and in what could be called 'grey zones', especially where foundations become instruments of the State (Anheier 2001: 47). It was the task of the national experts to identify the 'grey zones' in their country and to discuss with the VU-team whether these foundations should be included in the study or not.

### **c) Endowment**

A third important element of the definition of a foundation is 'that the founder usually provided an endowment'. The foundations eligible for inclusion in this study have *an established and reliable source of income, usually but not exclusively, from an endowment*.

Not all Member States require any founding assets. However, in these Member States the foundation is also usually believed to have an endowment sooner or later. Foundations with no or small endowments and which are primarily active in raising funds are included in the study. For example:

- Foundations in Eastern Europe with no or small endowments and which are primarily active in raising funds as they are still in the process of building assets. These foundations should be included in the study as these foundations are very typical for Eastern European countries with a relatively young foundation sector.
- Health fundraising foundations (like the Dutch Cancer Society in the Netherlands) which support research funded by donations from large numbers of small donations from indi

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1 Rey Garcia, M.R. and Alvarez Gonzalez, L.I. (2011) Foundations and social economy: conceptual approaches and socio-economic relevance. CIRIEC España

- viduals. Most of the time these foundations have built up an endowment for future expenditure; however, their main source of income is fundraising. These types of fundraising foundations should be included in the study as they make an important contribution to research and innovation purposes in the EU.

## Defining research and innovation

### *Research*

For the purpose of this study research includes basic and/or applied research projects or programs covering all the aspects of science, technology and innovation, from social science, the humanities, philosophy, engineering and technology, to natural science, mathematics, agricultural science, and medical science (including clinical trials phases 1, 2 and 3) and pharmacology.

Foundations supporting research-related activities are also covered. These include support for projects/programs on researcher mobility, knowledge transfer (including intellectual property rights/patents), infrastructure (laboratories, research centres, pilot or demo plants), the dissemination of research (seminars, conferences, etc) and science communication (museums and science parks).

### *Research versus education*

Support for PhD programs and scholarships is included in the study. However, stipends for students below PhD level are excluded from the study as this is support for 'education'.

### *Innovation*

The definition of 'innovation' used in the EUFORI Study is based on the definition of the Innovation Union: 'The introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects'. Examples of innovation with a public benefit are: green energy sources such as wind turbines and solar panels, and new services such as e-health.

Private benefit purposes in the area of innovation are excluded from the study. Not included are, for example, small and medium enterprises which spend money on product development in their own companies and present this as support for innovation, or banks with foundations which give money to develop financial products and present this as innovation.

### *R&I foundations versus foundations partly supporting R&I*

This study primarily focuses on R&I foundations, which means foundations whose primary objective is to support R&I. Secondly, this study focuses on foundations that partly support R&I. Foundations that are active in the area of health or in social, economic and political areas are eligible when a significant aspect of their budget is focused on research and innovation. We realise that 'significant' is a subjective criterion. We would like to emphasise that it is important that these foundations support or operate research and innovation on a structural basis, which means that the support of R&I is part of their (grantmaking) policy.

### *R&I in and outside the EU*

This study is concerned with European-based foundations. There should be a clear European link in the spending of money on research and innovation. This study primarily focuses on the activities inside the European Union. Additionally, it would also be interesting to map out the international R&I activities initiated by European-based foundations.

## 2 Identification of foundations supporting research and/or innovation

An important goal of the EUFORI Study is to identify and build a comprehensive contact database of foundations supporting research and innovation in all the Member States. Due to a lack of systemised and exhaustive data on foundations in many countries the total number of foundations active in the area of research and innovation in Europe is unknown.

Following the strategy suggested in the FOREMAP study, the EUFORI Study used data from existing registers/databases and snowball sampling to build a comprehensive contact database of foundations supporting research and innovation. The snowball sample was carried out using three strategies. First, the foundations were identified by asking a leading foundation in the field of R&I about other foundations active in that field. In turn, these other foundations were asked to identify yet others. Second, the foundations were identified by asking associations of foundations about their members and other foundations. This strategy was complemented by asking recipients of foundation grants (notably HEIs) about other foundations that they knew about. Other methods the national experts used to create a list of foundations were: making use of the databases of the EFC (European Foundation Centre) and making use of the data gathered in FOREMAP. In addition, existing national surveys on foundations were also used.

From January-April 2013 the national experts worked on the development of a list with contact details of foundations supporting R&I in their country. It turned out that the identification of foundations supporting R&I in Europe was a challenging one. Even in countries with a register or database it was still not easy to create lists, as the databases are not always up to date. The national experts identified more than 12 000 foundations which potentially support R&I. We deliberately say 'potentially' as the sample might be distorted by the inclusion of non-existing, non-active foundations, as well as foundations from which it was not completely clear in advance whether they support research and innovation.

## 3 The quantitative part of study: the online survey

In order to assess the foundations' financial support and policies for research and innovation, the data collection was carried out among the identified foundations in each country by means of an online survey.

### *The questionnaire*

The survey questions were structured according to the following topics: types of foundations, income sources, assets, expenditure on research and innovation, types of support, focus of support, geographical dimensions of activities, foundations' operations and practices, and the role of foundations in the area

of R&I. <sup>[1]</sup> Following the lessons learned from the FOREMAP study, the questionnaire included almost exclusively closed questions. Several questions, however, aimed to ask respondents to give the names of foundations and to identify innovative practices. These questions were asked in an open format.

Given the wide range of languages used in the 27 EU countries (plus Norway and Switzerland), the VU team aimed to tackle potential language problems by translating the questionnaire into the national language(s). The availability of the questionnaire in the local language was expected to increase the response rate. National experts were also asked to translate an invitation letter to participate in the survey in the local language.

For the survey data collection an online tool was used, the Qualtrics package. This online survey package facilitates data gathering and data analysis, making the process quicker and simpler for respondents. In order to facilitate the respondents in answering the questionnaire, they were also given the opportunity to complete a paper questionnaire in their national language.

#### *Data collection*

The total period for the data collection covered approximately eight months, starting in April 2013 and ending in late November 2013. The VU project team developed a customised strategy for data collection in the different countries. Depending on the national context, national experts were asked to deliver a letter of endorsement from a national well-known and trusted institute or individual. Also, the European Foundation Centre was asked to write a recommendation letter addressed to the respondents participating in the study. Both letters had the aim of increasing the response rate. In order to respond to the questions from the respondents, the national experts functioned as contact persons. The foundation representatives were invited to participate in the study by email or post in case the national experts were not able to retrieve the email addresses of the foundations. The national experts were asked to send the selected foundations a short announcement by email one week in advance.

In order to raise the response rate, different steps were undertaken. First the coordinating team sent, in close cooperation with the national experts, multiple online (e-mails) and offline (letters asking to respond to the online invitation) reminders. Subsequently, the national experts made telephone calls to the non-responding foundations, encouraging them to participate. In a final effort to reduce the non-response rate, the respondents were given a final option to fill in a shortened version of the questionnaire. This shortened questionnaire focused on the most important questions, which were mainly questions about the financial aspects of the foundations. In order to get a complete picture of the R&I foundation landscape in Europe as possible, the national experts were asked to make sure that the most important R&I foundations in their country were covered in the study.

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1 The full questionnaire can be found on the website.

In case of item non-response (foundations that did not answer one or several important questions) researchers were advised where possible either to go back to the foundation or to search for the information in other sources (publicly accessible data, annual reports, websites etc.). This mainly applied to financial statistics such as total income, total assets, total expenditure and expenditure on R&I.

#### *Data cleaning and quality control*

After the data collection period was finalised, the survey data could be downloaded. Before the results could be analysed, the data had to be cleaned, and the quality of the data was controlled. The data were thoroughly checked and erroneous responses such as duplicate cases, empty cases and test cases were removed. The reference numbers of the foundations were checked for errors and corrected where possible. The variables in the data were recoded and missing values were assigned. As a final step, the data were filtered in terms of support for R&I. Foundations that did not support R&I and had not done so in the previous five years were excluded from the data. The quantitative analysis was based on 1 591 foundations in the final dataset.

#### *Response overview*

In the table below a response overview is presented of the data collection according to country. The second column includes the number of foundations for each country that received an invitation to the survey. The third column depicts the number of foundations that responded to the survey. The fourth column shows the percentage of foundations that responded to the survey, and was calculated by dividing the number of responses from the third column by the number of foundations in the second column. It should be noted that the sample of foundations that received an invitation to the survey differed from country to country depending on the existing sources available to the national experts. This implies that we should be very careful with comparing the percentages mentioned in the fourth column, as they do not take into account the differences between the country samples. The final column includes the number of foundations according to country that indicated support for research and innovation. Compared to the responses in the third column, this illustrates that in some countries the sample/responses included more R&I foundations than in other countries.

**Table 1: Response overview**

Country	Number of potential R&I foundations invited to the study	Response	% foundations that responded to the survey	Number of foundations that indicated to support R&I (Q1)
1 Austria	297	109	37 %	64
2 Belgium	1 073	72	7 %	38
3 Bulgaria	18	13	72 %	10
4 Cyprus	99	30	30 %	7
5 Czech Republic	519	90	17 %	59
6 Denmark	39	26	67 %	22
7 Estonia	84	40	48 %	24
8 Finland	233	72	31 %	69
9 France	200	27	14 %	25
10 Germany	4 425	228	5 %	152
11 Greece	300	10	3 %	6
12 Hungary	438	295	67 %	253
13 Ireland	53	16	30 %	14
14 Italy	122	44	36 %	40
15 Latvia	38	13	34 %	10
16 Lithuania	6	5	83 %	4
17 Luxembourg	19	14	74 %	9
18 Malta	150	37	25 %	9
19 Netherlands	100	53	53 %	48
20 Norway	903	128	14 %	102
21 Poland	604	67	11 %	37
22 Portugal	88	27	31 %	19
23 Romania	13	10	77 %	8
24 Slovakia	70	17	24 %	11
25 Slovenia	17	2	12 %	2
26 Spain	523	229	44 %	208
27 Sweden	224	91	41 %	87
28 Switzerland	1 992	295	15 %	195
29 United Kingdom	269	59	22 %	59
Total	12 914	2 119	16 %	1 591

## 4 The qualitative part of the study/ interviews

In order to gain a more in-depth understanding of the foundations' activities and their impact in the research/innovation arena, interviews were conducted with the foundations' professionals and stakeholders during the period November 2013-March 2014. The purpose of the interviews was to contextualise the findings from the online survey and to identify innovative examples and best practices.

To structure the selection of the foundations, the national experts were given guidelines for selecting foundations for the qualitative part of the study. In general, the selection of the foundations was based on different characteristic types of foundations, different sizes, research areas and/or other relevant features derived from the online survey, as well as best practices/innovative examples. As the national context differs from country to country, the national experts were advised to complement these criteria if it provided additional information, thereby improving the understanding of the role of foundations in the research arena.

Depending on the diversity and size of the foundation sector in each country, 5-10 interviews were carried out with the foundation representatives. National experts unable to select a relevant number of foundation representatives opted to interview the relevant stakeholders in the foundation sector (e.g. policy makers, government representatives, foundation recipients).

The national experts were provided with a general topic list for the interviews which was mainly based on the questions formulated in the FOREMAP project. These topics focused on the reasons, ideas and mo

tives behind several areas (the role of foundations, the role of the EU, reasons for fluctuations in expenditure etc.), which were appropriate for the in-depth interviews. The national experts were free to complement the list with (context-related) questions and topics that would provide additional information, thus improving the understanding of the role of foundations in the field of research.

In order to monitor the selection of foundations and the topics to be discussed during the interviews, the national experts provided a work plan describing their planning, strategy for selecting foundations, the underlying motives for selecting foundations, their names and a short description of the foundations concerned, as well as a preliminary topic list. These work plans were revised by the coordinating team at VU University and provided with feedback.

All the interviews were carried out and transcribed into the native language of the respondents. In order to verify the collection of the qualitative data, the national experts summarised the transcribed interviews into English and sent this summary to the coordinating team at VU University.

In order to further supplement the national reports with examples of innovative projects, success stories or exemplary narratives about foundations supporting research and innovation, qualitative data were also collected through using secondary sources (e.g., online searches, annual reports, journal and newspaper articles).

# Annex

## III Theoretical model

The analyses in this chapter are based on a theoretical model of foundation activity (see Figure A3.1). We discuss the six groups of characteristics in Figure A3.1 one by one. First let us review the order of the groups. The country characteristics in Figure A3.1 have been placed in blocks in their assumed order and the direction of causal influence. *Economic and political conditions* are relatively stable general characteristics of countries, and are therefore placed in the top left corner. The *foundation model* of a country is another relatively stable general country characteristic. They will influence foundation activity directly, as well as through the other characteristics shown in Figure A3.1. There is likely to be a correlation between the political and economic conditions and foundation models, although not necessarily a causal one. The *legal conditions* and requirements for foundations are more specific characteristics that are likely to have a more proximate influence on foundation activity. In addition, *R&D investments* by government and corporate enterprise and the overall performance in innovation are likely to have a direct influence on foundation activity.

### Foundation activity

Now we proceed to a more detailed discussion of the groups of characteristics in Figure A3.1. On the right-hand side of Figure A3.1 we see our main dependent variables, which we have labeled 'R&I foundation activity'.

### Economic and political conditions

Foundations are sometimes described as 'the most free' of all philanthropic enterprises. Whether or not this description is true is not relevant here, but it suggests that a country's civil liberties are an important condition that facilitates foundation activity. Foundations depend on the freedom of economic enterprise and the protection of accumulated wealth and assets. A testable hypothesis is that *foundation activity is higher in countries where civil liberties are stronger*. In countries with more political freedom, with a longer tradition of democracy and with more economic freedom we expect to find more active R&I foundations.

In addition to economic and political freedom, the availability of wealth and assets in a country is also an important condition that facilitates the activity of foundations. Foundations are built upon wealth. The hypothesis is that *countries with a higher level of GDP show higher levels of R&I foundation activity*.

Not only is the simple availability of wealth important for foundation activity, but also its distribution. Throughout history, foundations in Europe have been established primarily by members of the elite: by entrepreneurs, the nobility and members of the upper class. The hypothesis based on this insight is that *countries with a higher level of income inequality show higher levels of R&I foundation activity*.

## The philanthropic culture

While some countries in Europe have a long and rich history of philanthropy, other countries have less of a tradition in philanthropy and have only recently experienced growth in terms of philanthropic initiatives. Research on philanthropic activity by individual citizens shows that differences between countries are relatively stable over time (CAF, 2013). Shepherd, O'Carroll and Ferguson (2014) found that countries with an opt-in system for postmortem organ donation have higher rates of charitable giving. We see the level of philanthropic activity by citizens and the organisation of the organ donation system as an indicator of the societal importance and culture of philanthropy. The hypothesis is that *countries in which organ donation is organised through an opt-in system and where a higher proportion of the population supports charities with donations show higher levels of foundation activity.*

## Legal conditions

The general level of freedom in society is expressed in its laws. Also, the philanthropic culture of a society can be recognised in the legal framework for foundations. As a result, European countries' laws differ in the treatment and regulation of foundations. Countries differ in terms of the generosity of facilities for foundations (tax exempt status, deductibility of donations) as well as in the strictness of registration and regulation of foundations (EFC, 2011). High scores in these aspects do not necessarily coincide. Two testable hypotheses are that *countries with more generous fiscal treatment and less strict legal requirements show higher levels of foundation activity.*

## R&D investments

In addition to foundations, governments and corporations also spend money on research and development. The extent to which government activity draws in or crowds out private investment has been the subject of much debate in the literature on philanthropy. As far as we know, no scholarly attention has been devoted to this question specifically with regard to foundations thus far. The findings in the research on the relationship between government funding and private philanthropy are very diverse (De Wit and Bekkers, 2014). It is possible that higher government and corporate investment in research and development go alongside more R&I foundation activity ('crowding-in'), but it is also possible that foundations are less active when government and corporate investments are higher ('crowding-out'). As a result, we do not have a clear hypothesis on the relationship between government investment in and foundation expenditure on research and innovation.

## Foundation models

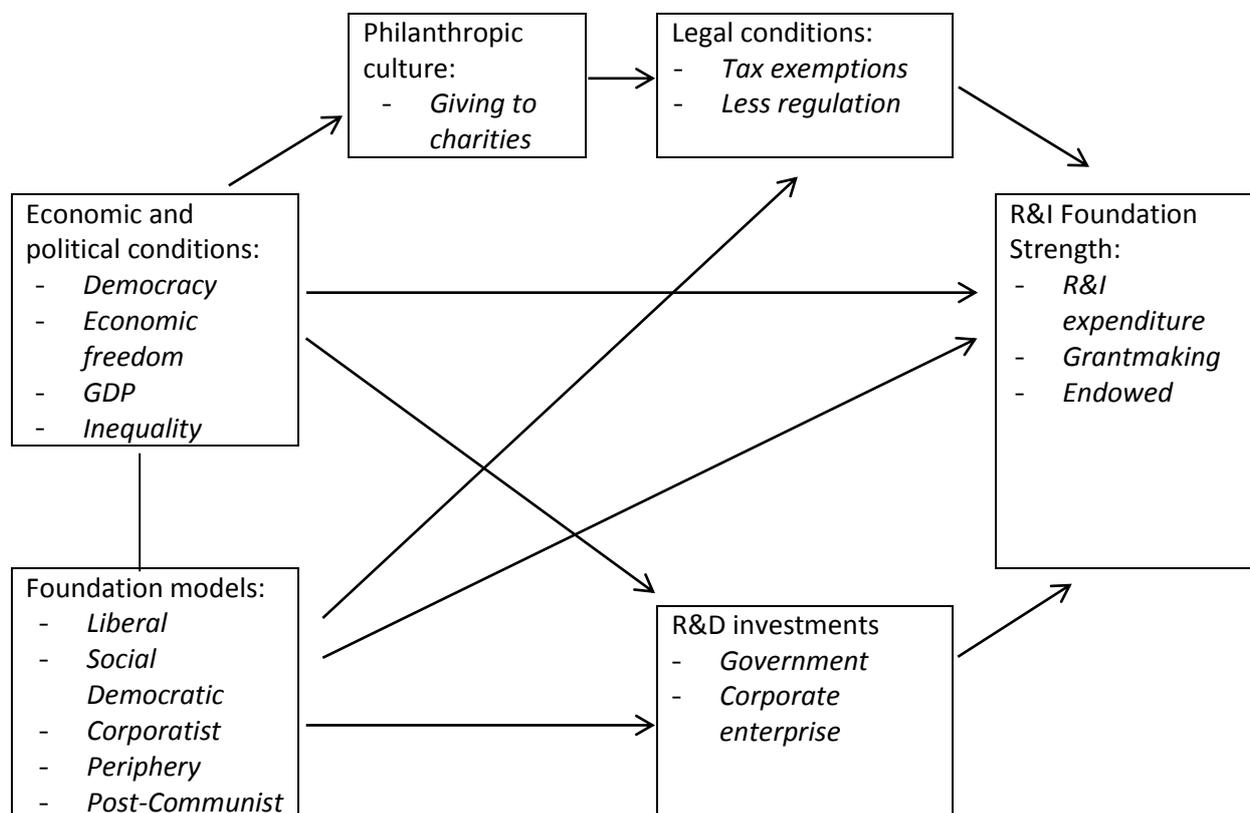
Differences between countries in the activity of foundations were described in seven foundation models by Anheier and Daly (2006a). These foundation models were based on the two-dimensional classification of third-sector regimes (Salamon and Anheier 1998). According to this classification countries scoring low or high in public sector social welfare spending and the economic size of the third sector are correlated. In countries with a statist model, low public sector spending is combined with a small third sector. In the liberal model, low public sector spending is combined with a large third sector. In social democratic countries, high public sector spending is combined with a small third sector. Finally, corporatist countries combine high public sector spending with a large third sector. A subdivision is made between statist models of the

peripheral type and the post-Communist type. According to the corporatist model, civil society-centered, Mediterranean and state-centered categories are distinguished. In the current analysis we grouped all the corporatist countries together in one category.

Because the classification is based on social welfare spending it does not bear directly on research and innovation. We hypothesise that the same patterns hold for research and innovation as for social welfare. One would then expect that countries where foundations play a more important role show more foundation activity in terms of higher income and research and innovation expenditure. Anheier and Daly (2006a) described the overall importance of foundations as high in countries with a liberal and social democratic model. In countries with a post-Communist model and a Mediterranean and civil society corporatist model the importance of foundations is thought to be medium. The importance of foundations is described as low in the peripheral statist and state-centered corporatist model.

Previous research suggests that foundation models are not straightforwardly associated with differences in the roles that foundations see for themselves, such as redistribution, efficiency, social change and pluralism (Prewitt 1999), nor with complementarity, substitution, or innovation (Anheier and Daly 2006b). Countries with different foundation models show strong differences in terms of the types of foundations. In countries with a social democratic or a corporatist model operating foundations play a more important role than in countries with a liberal or statist model. Partnerships with government also differ along these lines.

**Figure A3.1: Model of foundation activity**



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# IV Data and methods used in the comparative analysis

In the comparative analysis context data at the country level were used from the EUFORI survey, the European Foundation Centre (EFC), OECD, Eurostat, the Economist Intelligence Unit, the Heritage Foundation and Gallup (CAF, 2011).

### Foundation activity indicators

To measure foundation activity, we used three indicators from the most recent version of the EUFORI data file (1 September 2014). The dataset contained 2 119 observations. We used total foundation R&I expenditure, whether the foundation was grant making and whether the foundation reported income from an endowment.

A first indicator of foundation activity is the level of R&I expenditure for R&I foundations, which enabled them to spend money on research and innovation. In addition to the R&I expenditure we also included two indicators of foundation activity in our analysis, where we expect to see qualitative differences between the foundations: *types of foundations and source of income*. Two commonly distinguished *types of foundations* are grantmaking and operating foundations. grantmaking foundations use their expenditure to provide grants for other organisations, and/or support projects carried out by other organisations; operating foundations use their expenditure to achieve their goals by themselves, by carrying out projects within their own organisation. Different sources of foundations' income entail amongst others: income from an endowment, donations from individuals, income from government and other third parties. Foundations that mainly receive income from an endowment are relatively independent vis a vis foundations that receive income from other sources.

The R&I expenditure variable was logged to reduce the skewness of their distribution. It is a common observation in research on philanthropy that data on amounts are not normally distributed. In the EUFORI data we also find a power distribution such that a relatively small number of very large foundations earn the vast majority of all the foundations' income. A common solution to obtain a more normal distribution is to log-transform the amounts. In the analysis below we used this transformation. The log-normal transformation is applied to all variables representing amounts (such as R&I expenditure, GDP) and levels (such as income inequality).

### Legal treatment of foundations

To measure the legal treatment of foundations we used a selection of the assessments of EU countries reported by the EFC (2011). <sup>[1]</sup> We expected that favourable tax treatment would be correlated with a

1 We thank our research assistant Dave Verkaik for coding these assessments.

higher level of scrutiny applied to foundations, but this was not the case. The number of requirements that tax authorities impose on foundations (indicators 3, 4, 11, 12) is not correlated ( $r = .012$ ) with the level of the favourable treatment of foundations (indicators 1, 19, 21, 26, 27).

Using a factor analysis, we found three largely independent dimensions among the indicators (see Table A4.1). The first dimension consists of the indicators of state approval, public registers and the number of supervisory bodies. Countries where state approval is required for the establishment of a foundation were less likely to have a public register and more likely to have multiple supervisory bodies. The second dimension consists of tax exemptions, publication requirements, and the admission of the pursuit of private purposes. The third dimension was the level of deductibility of donations to registered public benefit organisations.

A composite 'Legal Treatment' variable was created counting the number of tax facilities for foundations where countries scored positively. This variable is negatively correlated with the scrutiny factor and the tax exemption factor, and positively correlated with the deduction factor.

**Table A4.1: Factor analysis of legal treatment of foundations**

	Component		
	1	2	3
3. State approval required	.747	.043	.071
4. Public register available	-.678	-.056	-.420
12. Multiple supervision bodies	.730	-.079	-.150
1. Private purposes permitted	.090	-.697	-.014
11. Publication of annual report required	-.024	.774	-.086
19. Automatic tax exemption	.477	.525	-.108
21. Foundations do not pay income tax	.121	.526	.296
26. Maximum deduction for individual tax payers	.104	-.101	.756
27. Maximum deduction for corporate tax payers	-.092	.135	.835
Name	Scrutiny	Exemption	Deduction
Eigenvalue	2.097	1.529	1.453
Percent of variance explained	23.3 %	17.0 %	16.1 %
Correlation with Legal Treatment (LT)	-.163	-.490	.365

We found that legal conditions are not consistently related to foundation activity indicators (see Table A4.2). The overall legal treatment (LT) score is not related to any of the foundation activity indicators. Tax exemptions are more frequent in countries where more operating foundations are present and where fewer foundations receive income from an endowment. Also, we see a weakly positive relationship be

tween the deduction level and foundation strength, mainly because of grant making activity and receiving income from an endowment. R&I expenditure shows a weakly negative correlation with the level of scrutiny.

**Table A4.2: Correlations between legal treatment variables and foundation activity indicators**

	Foundation Strength Score	R&I expenditure	Grant making	Endowed
Scrutiny	.003	-.120	.016	.049
Exemption	-.145	.037	-.216	-.210
Deduction	.103	.033	.065	.079
Legal treatment	-.001	-.052	.033	.056

### Economic and political conditions

From the Heritage Foundation and Dow Jones & Company (Miller et al. 2013) we used indicators for the economic and political conditions that are likely to support the emergence and economic activity of foundations: the Property Rights Index, Freedom from corruption, Business freedom, Monetary freedom, Investment freedom, GDP and GINI (after-tax income inequality).<sup>[1]</sup> We added the Democracy Index constructed by the Economist Intelligence Unit (2013) and data on income inequality (pre- and aftertax GINI, i.e. income inequality before and after taxes) from the Standardized World Income Inequality Database (SWIID, version 4.0; Solt, 2009). Correlations among these indicators ranged from .08 (between the Democracy Index and income inequality) to .91 (between the Property rights index and Freedom from corruption). In a factor analysis, the first factor had an Eigenvalue of 4.2 and explained 46.5 % of the variance. The second factor had an Eigenvalue of 1.4 and explained an additional 15.7 % of the variance; the third factor had an Eigenvalue of 1.2, explaining an additional 14.0 % of the variance. However, the scree plot clearly suggested that a one-factor solution was the best one. A reliability analysis on the political and economic indicators showed that monetary freedom and after-tax income inequality did not fit the scale; their initial commonalities in the factor analysis were very low (.136 and .187, respectively). Removing these items and forcing a one-factor solution yielded an Eigenvalue of 3.9, explaining 56 % of the variance. Factor scores for the first component were saved as the composite score for Economic and political conditions. The correlations of the composite score with its indicators range from .52 (GDP) to .92 (Freedom from corruption).

1 For several countries the index did not have values for after-tax income inequality. Values for these countries were taken from the World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html>.

**Table A4.3: Correlations between economic and political conditions and foundation activity indicators**

	Foundation Strength Score	R&I expenditure	Grant making	Endowed
Democracy Index	.249	.058	.320	.219
Property Rights Index	.312	.117	.338	.304
Freedom from corruption	.328	.116	.364	.310
Business freedom	.378	.236	.329	.344
Investment freedom	.284	.166	.219	.259
GDP (logged)	.149	.081	.105	.199
Pretax GINI (logged)	.240	.111	.182	.264
Economic and political conditions	.372	.168	.363	.359
Posttax GINI (logged)	-.159	-.043	-.248	-.184
Monetary Freedom	-.012	-.105	.049	.019

Table A4.3 shows that economic and political conditions are moderately correlated with foundation strength. We see positive correlations with grant making activity and receiving income from an endowment but somewhat weaker correlations with R&I expenditure. The pattern of correlations for income inequality after tax (posttax GINI) is different from pre-tax inequality. In more unequal countries after redistribution by the tax system foundations are less likely to be grant making foundations and to receive income from an endowment, while this is not the case for countries with more unequal income distributions before taxes.

### R&D investments by government and corporate enterprise

Two important indicators in the Innovation Scoreboard are R&D investments by government and corporate enterprise. In countries with higher investments by government and corporations, the innovation performance is higher. These countries have a higher R&D index and a higher Innovation Scoreboard score. Table A4.4 shows how R&D investments by government and corporate enterprise and the R&D index are related to foundation activity. We find that both government and corporate enterprise investments as well as the R&D index are positively related to foundation strength. The correlations of corporate investments with foundation activity indicators are stronger than with government investments.

**Table A4.4: Correlations between philanthropic culture variables and foundation activity indicators**

	Foundation Strength Score	R&I expenditure	Grant making	Endowed
Government investments	.095	.100	.027	.136
Corporate enterprise	.249	.116	.215	.291
R&D Index	.302	.051	.356	.316

## Philanthropic Culture

The proportion of respondents in the Gallup World Poll (GWP) that reported having made donations to charitable causes in the previous year was used as a measure of the philanthropic culture, as well as the data on the organisation of organ donation procedures. We added information on the organ donation system from Shepherd, O'Carroll and Ferguson (2014) for Cyprus, Estonia, Luxembourg, Malta, Norway, Slovenia and Switzerland to the database by using information from websites of transplant authorities in these countries <sup>[1]</sup> and a paper by Jansen et al. (2014). As in the Shepherd et al. (2014) paper, we found that the proportion of the population giving to charity is much higher in countries with an opt-in system for organ donation (61.2 %) than in countries with an opt-out system (34.5 %).

Table A4.5 shows that the philanthropic culture indicators are moderately correlated with the foundation strength score. However, this relationship is due mainly to grantmaking activity and receiving income from an endowment, but not to R&I expenditure.

**Table A4.5: Correlations between philanthropic culture variables and foundation activity indicators**

	Foundation Strength Score	R&I expenditure	Grant making	Endowed
Opt-in organ donation system	.133	-.037	.194	.206
Proportion giving to charities	.252	.018	.256	.314
Philanthropic culture	.176	-.025	.222	.254

## Country level variance in foundation activity

We apply hierarchical ('multi-level') regression models, to decompose the variance between individual foundations and between the countries where these foundations were established. In the comparative analysis, we looked for variance at the level of the Member States.

First we examined whether there was any variance at the national level, in addition to the variance between individual foundations. Then we estimated stepwise regression models, entering the indicators in five groups. In each model, all the indicators of one group were included, but not indicators from other groups. Table A4.6 shows the results of these models.

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1 Cyprus: [http://www.moh.gov.cy/moh/moh.nsf/page90\\_en/page90\\_en?OpenDocument](http://www.moh.gov.cy/moh/moh.nsf/page90_en/page90_en?OpenDocument);

Estonia: <http://www.kliinikum.ee/eng/transplantation-centre>;

Luxembourg: <http://luxembourg.angloinfo.com/information/healthcare/death-dying/organ-donation/>;

Malta: <http://www.transplantsupport.com.mt/page/100/questions-and-answers>;

Norway: Jansen et al. (2014).

Slovenia: <http://www.slovenija-transplant.si/index.php?id=postanite-darovalac&L=2>

Switzerland: Jansen et al. (2014).

**Table A4.6: Country level variance in foundation activity**

	Foundation Strength Score	R&I spending	Grant making	Endowment
Base line	17.9%	13.8%	30.3%	10.3%
Foundation models	11.3%	6.6%	25.4%	10.1%
Economic and political conditions	13.8%	3.3%	24.1%	11.8%
Philanthropic culture	17.4%	12.9%	28.1%	9.1%
Legal conditions	21.9%	14.5%	30.8%	11.5%
R&D investments	13.2%	7.4%	22.2%	11.4%
Best model (selected indicators)	11.4%	2.3%	17.2%	6.0%

Entries represent intraclass correlations ( $\rho$ ) estimated in hierarchical regression analyses

We estimated hierarchical regression analyses of foundation activity to answer this question. Table A4.4 shows the results. The first row contains the baseline level of variance in each of the aspects of foundation activity. Each of the following lines presents the proportion of variance at a national level that remains when a group of characteristics is included in the regression analysis.

The entries in the baseline row show that for the total *foundation strength score*, for instance, we see that 18 % of the variance is located at a national level, and for the level of *R&I spending* it is 4%. These values are common for societal phenomena. Whether foundations are grantmaking or operating shows the highest degree of variance between countries: 17 % of the variance in this aspect of foundation activity is located at the national level.

The results in the second row of table A4.6 show that foundation models perform rather well when R&I spending and grant making activities are considered, but not for receiving income from an endowment. Economic and political conditions outperform foundation models in terms of their explanatory power for national level variance in foundation activity when R&I spending levels and the type of foundation are considered.

R&D investments by government and corporate enterprise also explain important proportions of the variance in expenditure to R&I and grant making activity, but not in receiving income from an endowment.

The philanthropic culture explains little of the differences in foundation activity between countries.

Legal conditions show a surprising pattern: controlling for legal conditions increases the variance in foundation activity between countries. It is not clear how this pattern can be explained. In any case the differences in the activities of R&I foundations between countries are not consistently related to the legal treatment of foundations.

Finally, the bottom line of Table A4.6 shows the national level variance in each of the foundation activity indicators that remains in the ‘best model’ – i.e. the regression analysis of a particular variable that includes a limited set of country characteristics which explains most of the national level variance. The ‘best model’ is different for each of the indicators, depending on the performance of the country characteristics that explain most of the variance. The fact that the best models differ between variables suggests that there is not a single set of factors that explains why some countries show more foundation activity than others.

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# EUFORI Country Reports



Austria Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Hanna Schneider  
Reinhard Millner  
Michael Meyer

Research and  
innovation



# **Austria Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 The historical background

The historic events of the first half of the 20th century had a tremendous effect on the foundation sector in Austria, as in other European countries at that time. A considerable number of foundations suffered from the effects of two World Wars and the economic consequences of the Great Depression.

According to Stammer (1983) the Austrian foundation sector comprised 5700 foundations and charitable funds in 1938, whereas many more had been dissolved before then due to missing assets as a consequence of the inflation during the 1930s. During the Second World War a considerable number of foundations were dissolved, destroyed or expropriated, namely 2400 foundations. While there were efforts to repair many of these organisations with a new law in 1954, still many foundations were lost or could not be resurrected (see, for instance, Simsa et al. 2003). The numbers of foundations only significantly recovered from 1993 onwards with the introduction of a law for private foundations, although the law was mainly introduced for private purposes only (see also Chapter 1.2.). As a consequence, due to this historic tradition the current status quo of philanthropy is rather weak in Austria, especially with respect to philanthropic foundations. In comparison with this and put into an international perspective, the philanthropic tradition of giving and volunteering can be regarded as moderate (Neumayr/Schober 2011 on giving in Austria, or BMASK 2009 on volunteering in Austria).

## 1.2 The legal and fiscal framework

Austrian law provides for two types of foundation: foundations based on the Foundations and Temporary Funds Act (*Stiftungs- und Fondsgesetz*) passed in 1974, embracing federal and provincial public benefit foundations which must pursue public purposes. Thereafter in 1993 the Law for Private Foundations (*Privatstiftungsgesetz*) was introduced, in which Austrian legislation allowed for the setting up of foundations for the pursuit of private interests and/or public benefit. When introducing this law, the legislation also arranged for tax advantages, even if a foundation is set up for purely private interests.

The political rationale for allowing the pursuit of private interests was based on three ideas: promoting the reflow of domestic capital from abroad, preventing domestic capital from capital outflow and promoting the inflow of foreign capital to strengthen the Austrian Capital Market. Promoting the use of private capital for public interests was rather a secondary objective (Breinl 1997) and was basically considered as a by-product. In principle, a new legal framework and embodiment for asset management and asset preservation had been created. In that sense, the greater public interest was primarily the accumulation and conservation of capital in the country. Nevertheless, private foundations entirely devoted to private purposes also enjoyed tax advantages at that time. In the meantime, most of these tax advantages have been withdrawn.

The general legal treatment of these two types of foundation differs significantly.

## The public benefit foundation in Austria

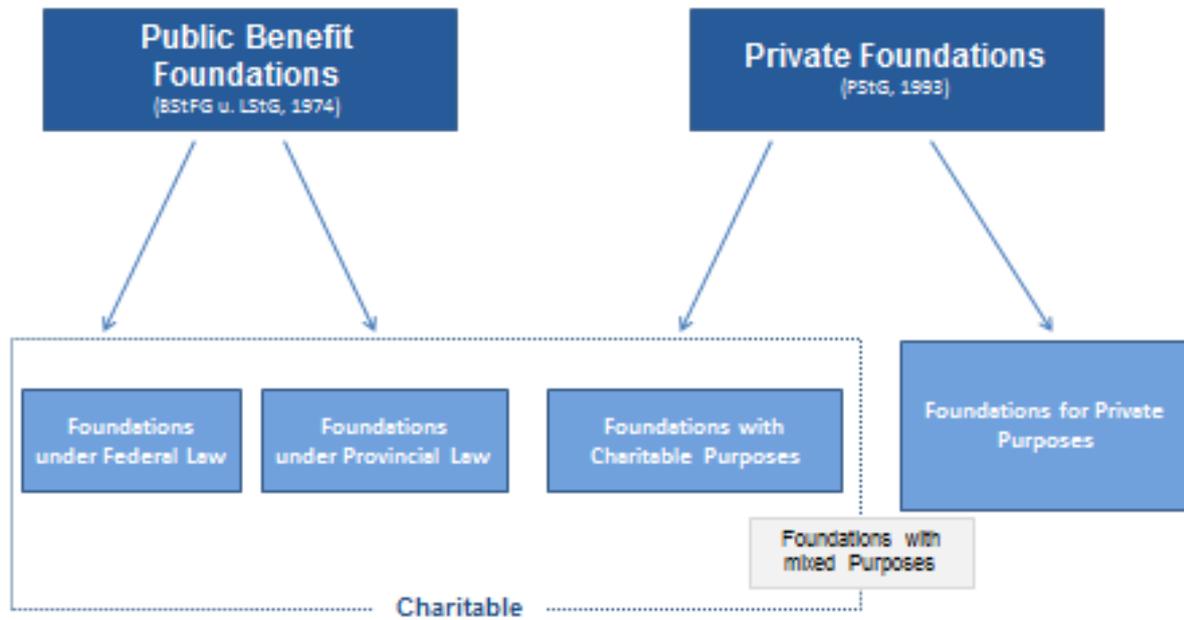
The Foundation Act of 1974 contains both civil law requirements and public law on supervision (Van der Ploeg 1999). For the case of public benefit foundations state approval (no discretion) and registration is required for the setting up of a foundation. The admission by the supervising authority must be bound to a purpose of public interest or of charitable character. There are no minimum capital requirements for the setting up of a public benefit foundation, but assets have to be sufficient to fulfil the purposes of that foundation. For public benefit foundations a governing board is mandatory. Annual accounts must be filed with the foundation authority (Kalss 2007). Moreover, public benefit foundations can be distinguished as foundations under the Federal Foundations and Funds Act (BStFG), referred to hereafter as federal public benefit foundations, which are complemented by nine Provincial Foundation Acts (LStG), referred to hereafter as provincial public benefit foundations. Whereas there is no restriction in scope for the former, the latter can only have aims which take place within the administrative boundaries of the respective province where it was established (Gassauer-Fleissner/Grave 2005).

## The Austrian private foundation

For private foundations, based on the Law for Private Foundations (PStG) of 1993, only registration with the Austrian company register is required for one to be set up. Establishing a private foundation requires a minimum of EUR 70 000. In governance terms, private foundations require a governing board, an accountant and a supervisory board of trustees. They are not subject to any kind of control by the government authorities and the supervision of this type of foundation is completely left to civil law regulations (Van der Ploeg 1999), so therefore they are subject to court action in case of misbehaviour. Annual accounts have to be audited by a certified auditor, appointed by the court, which has the right to initiate a special investigation. There is no obligation to make annual accounts or reports publicly available (Kalss 2007). This implies that it is not possible to draw on primary data to identify the scope of this sector in terms of funds and assets.

Summarising the legal framework, Austrian founders wishing to act for the public good can choose from three legal types: public benefit foundations under federal law, public benefit foundations under provincial law and private foundations with charitable/public purposes (see Figure 1). A fourth legal type is determined by private interests only and pursues no charitable purposes. Private foundations which fulfil both private purposes and charitable/public purposes are referred to here as foundations with mixed purposes and are thus positioned in-between.

**Figure 1: Legal types of Austrian foundation**



These legal options make up the framework for Austrian foundations with charitable activities. Whereas until 1993 foundations had no choice except to be charitable, the Private Foundations Law of 1993 enabled founders to endow assets not only for charitable projects but also for the benefit of very specific private groups, and especially for their heirs. Austrian charitable foundations enjoy the same tax advantages as other charitable organisations formed under various other legal formats and are subject to the Austrian Tax Code (*Bundesabgabenordnung, BAO*). As for any other legal body or individual, donations from foundations to organisations stated on a list of certified charitable organisations can result in tax breaks for the donor. The opposite is true, whereby if a foundation is a registered charitable organisation and is therefore receiving donations, the donor will receive a tax break. The amount is limited to 10 % of its or his/her respective yearly income.

### 1.3 The foundation landscape

Previous research has shown that the Austrian foundation sector consisted of 3126 <sup>[1]</sup> foundations established under the Law for Private Foundations, 246 public benefit foundations established under provincial legislation and 223 public benefit foundations established under federal legislation <sup>[2]</sup> (Schneider et al. 2010). Out of the 3126 private foundations, 210 served solely public purposes and an additional 35 savings bank foundations were identified which have to serve public purposes qua law. Thus, the vast majority, namely 2881 private foundations <sup>[3]</sup>, were intended to serve purely private interests. While some of these foundations partially allow for fulfilling mixed purposes (which means that they were set up for the pursuit of private interests, but also might contribute to a certain extent to charitable purposes), concrete evidence often cannot be identified through an analysis of a foundation's deeds, as the respective infor-

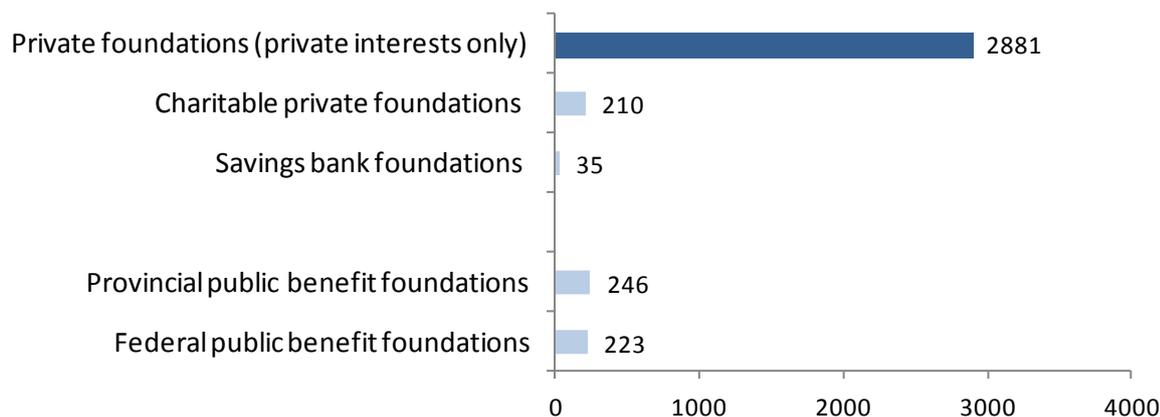
1 Enquiry date: November 2008

2 Enquiry date for both federal and provincial public benefit foundations: November 2008

3 Savings bank foundations are registered under the Law of Private Foundations

mation is often only stated in the complimentary deeds of foundation, a document which is not publicly available. Experts have estimated that around half of all foundations have at least the option of engaging in public purposes (Schneider et al. 2010). Figure 2 shows that the majority of all existing foundations only fulfil a private purpose. In total there were 2881 private foundations with only private purposes or mixed purposes, which leaves a total of 714 foundations fulfilling public interests <sup>[4]</sup>, thus only accounting for less than 25 % of all foundations.

**Figure 2: The total number of foundations in Austria (Schneider et al. 2011)**



### The geographical dispersion of Austrian foundations

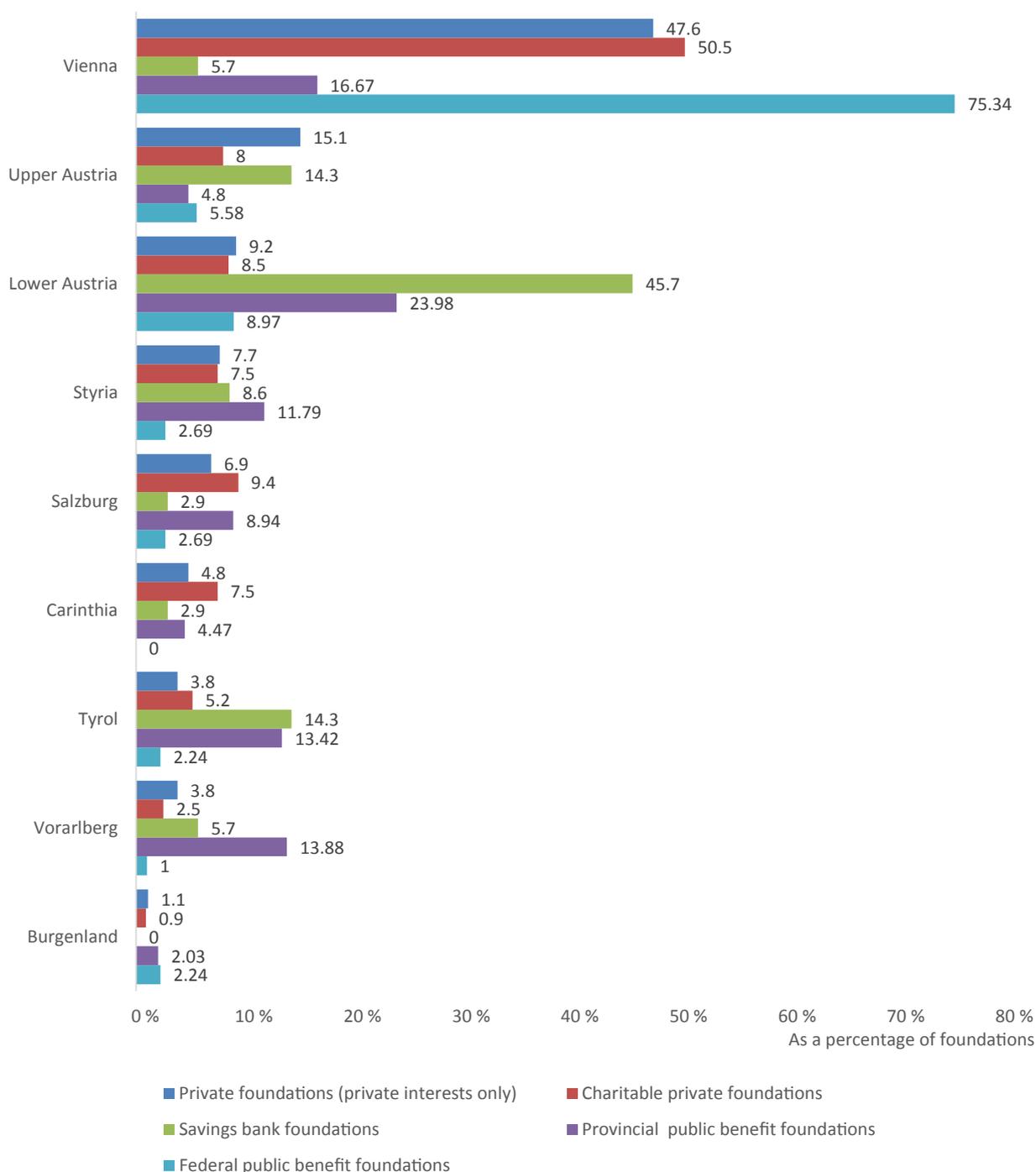
Regarding the regional dispersion of foundations, it can be shown (see Figure 3) that the majority of foundations have their registered offices in Vienna, the capital of Austria. Hence, the regional dispersion of foundations rather follows the dispersion of economic activity in Austria.

Almost half of all private foundations are registered in Vienna, as well as more than 80 % of all federal public benefit foundations, while less than 20 % of all provincial public benefit foundations and even fewer savings bank foundations are registered in Vienna.

Federal public benefit foundations, as well as private foundations, occur relatively frequently in upper Austria, lower Austria and Salzburg, whereas Carinthia, Vorarlberg, Tyrol and Burgenland lag behind in terms of registered private and federal public benefit foundations. A different pattern can be identified with respect to foundations under provincial law. Here the dispersion is more even across the different provinces. Lower Austria, Vienna, Vorarlberg and Tyrol record the most foundation under this law. With respect to savings bank foundations, a totally different picture emerges which mirrors the structure of the savings banks sector. These foundations occur dominantly in Lower Austria, where the number of savings bank in general is considerable. Three quarters of all savings bank foundations have been established in Lower Austria, Upper Austria and Tyrol. In general, savings banks are more frequent in rural areas. Hence, not surprisingly very few savings bank foundations have been set up in Vienna.

4 Including 210 private foundations with public purposes only, 35 savings bank foundations registered under the Law of Private Foundations, and 246 provincial and 223 federal public benefit foundations.

**Figure 3: The geographical dispersion of Austrian foundations (Schneider et al. 2011)**



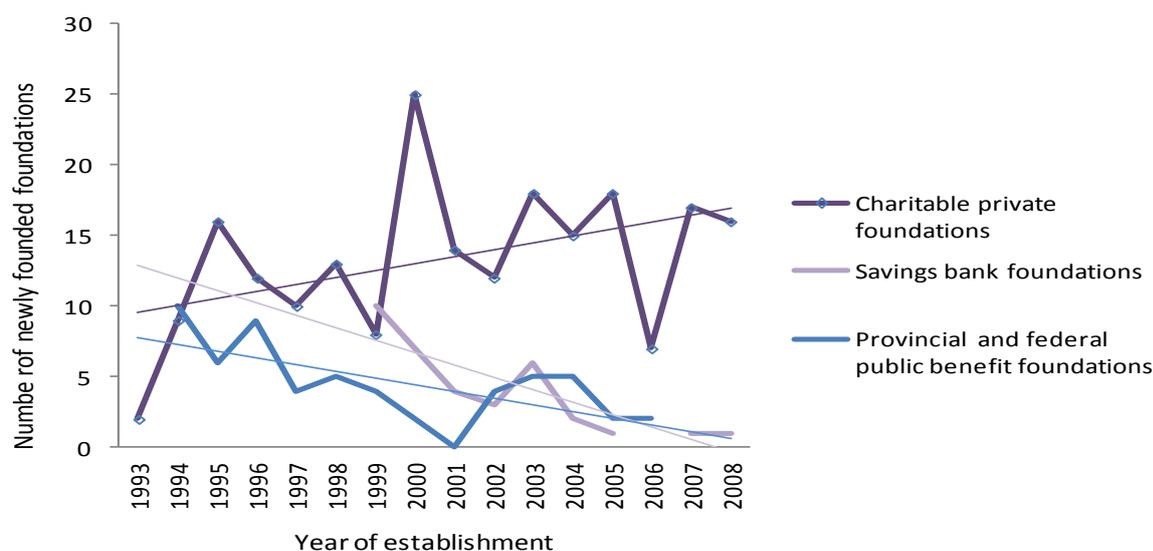
### The formation dates of Austrian foundations

The private foundation is a rather new legal construct, which was established in 1993. Since then the number of newly established foundation with private interests has increased steadily. By the end of 1999 more than 1000 foundations had been set up. The year 2000 represents an exception with more than 800 newly established foundations in one year. This can be explained by a fiscal reform that led to higher taxation for private foundations once assets are put into a foundation (Eingangsbesteuerung). While the according tax rate with respect to these assets amounted to 2.5 % before 2001, newly established foundations were moved into a higher tax bracket, namely 5 % for the abovementioned assets from 2001 onwards. This entry tax was intended to substitute inheritance tax, which foundations, in contrast to other legal bodies, did

not have to pay. Since then the number of newly established foundations has slowly increased at a slightly lowering rate of around 150 newly established foundations per year. In the long run, experts anticipate a slower pace in the establishment of new private foundations due to the saturation effect, considering that people holding considerable assets have already established a foundation (see Schneider et al. 2010), and the reduction in the respective tax incentives.

In addition, an average of ten to fifteen charitable private foundations have been established per year since 1993. Again, the fiscal reform of 2001 led to a peak of newly established charitable private foundations in 2000. In contrast, the number of foundations established under the federal and provincial law is stagnating. The number of newly founded foundations has strongly decreased within the observed time-frame, which is clearly shown by the downward trend. This development is to a great extent due to civil law reasons. Persons or bodies wishing to establish a charitable foundation have a strong tendency to set up a private foundation, as this legal form offers more flexibility and also less publicity. As far as savings bank foundations are concerned, a clear downward trend is visible. Within the last five years only three new savings bank foundations have been established (see Figure 4). This can be explained by the fact that savings bank foundations are mostly a product of existing regional savings banks rearranging their ownership structure when the respective savings bank is owned by a private foundation. This also explains why the number of newly set-up saving banks will not increase any further.

**Figure 4: Incorporation dates of foundations with public purposes (Schneider et al. 2011)**



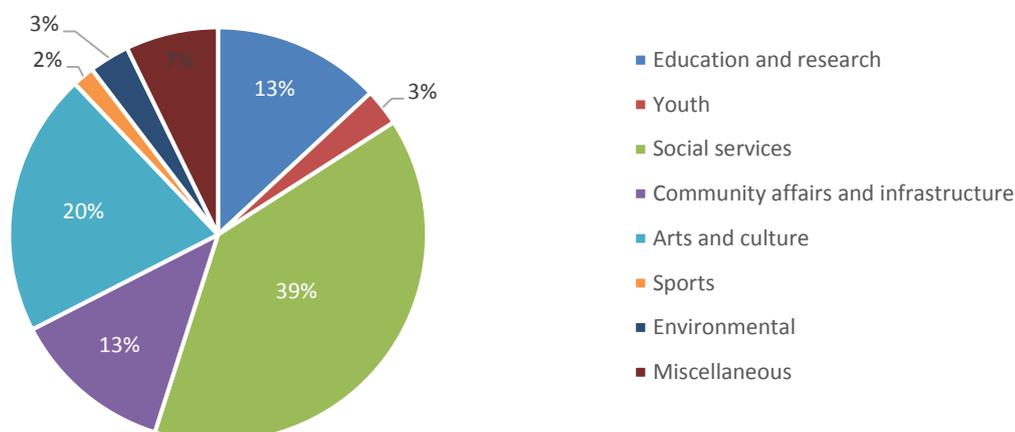
### The financial size of the Austrian foundation sector

The asset base of Austrian private foundations was estimated to comprise EUR 99 billion in 2009, which only resulted in expenditure on charitable purposes between EUR 10 and 40 million (Schneider et al. 2010). Furthermore, it is estimated that provincial and federal public benefit foundations have total assets accounting for EUR 300 to 350 million <sup>[5]</sup>. Assuming that public benefit foundations have a comparable annual earning rate of 4 %, we can conclude that they might distribute between EUR 12 and 14 million per year.

5 About 80 % of all federal public benefit foundations, and 20 % of all provincial foundations are registered in Vienna.

For savings bank foundations accurate data are available, provided by the Österreichischer Sparkassenverband (the Austrian Federation of Savings Banks). In 2010 the 35 savings banks foundations spent around EUR 7.4 million on charitable purposes.

**Figure 5: Breakdown of the expenditure of Austrian savings bank foundations (provided by the Austrian Savings Banks Association)**



As shown in Figure 5, the main areas supported in 2010 were social services, followed by arts and culture, and then research and education. By adding up the estimated charitable expenditure of Austrian private foundations, that of federal and provincial public benefit foundations, as well as the figures provided by the Austrian savings bank foundations, there is a potential between EUR 29 and 61 million for charitable activities across all areas.

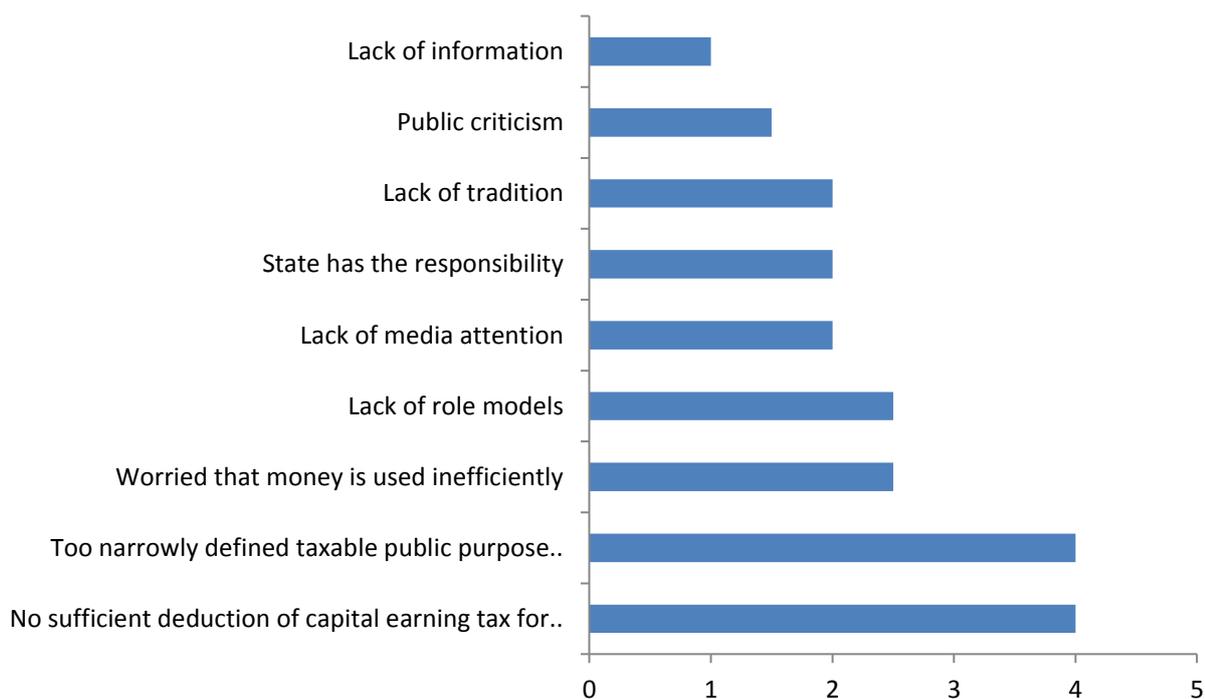
### Factors affecting the size and scope of the sector

A comparison of the Austrian foundation sector with other countries such as Germany or Switzerland clearly reveals that Austria is lagging behind in terms of the size and scope of the philanthropic foundation sector (see an equivalent comparison in Schneider et al. 2010 with respect to the foundations' expenditure per inhabitant). The lack of engagement of private foundations in public-related activities can be explained for various reasons (see Figure 6). Firstly, Austrian tax law is regarded as a barrier for more philanthropic engagement. The legal definition (which determines whether foundations are eligible for tax exemptions or not) - seems to be too narrowly defined, requiring that the foundations fulfil a direct public purpose and not via another organisation <sup>[6]</sup>. This is especially the case for grantmaking foundations, whose primary purpose is to give to other organisations this stipulation, and poses a challenge, especially if the receiving charitable organisation is not on the list of certified bodies. On the other hand it is argued that it is not appropriate that foundations' expenditure, no matter whether they are directed towards private or public purposes, are taxed with a 25 % capital gains tax (Schneider et al. 2010).

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6 This regulation can be found in the Austrian Bundesabgabenordnung § 40 (1)

**Figure 6: Barriers against foundations fulfilling public purposes (Schneider et al. 2011)**



Wealthy Austrians, having established a private foundation, seem to consider the fulfilment of public and social welfare services as mainly the responsibility of the State and argue that they already contribute enough through paying income tax. This is an impression that seems to hold true particularly for the areas of education and research.

At the same time, the lack of engagement is often related to the lack of or not well-established understanding and tradition of foundations supporting the public good in Austria. While in other countries foundations are clearly seen as important players in civil society, this is not the case for Austrian foundations, which are primarily perceived as organisations that get tax benefits without fulfilling public purposes. The introduction of the legal form of ‘private foundation’ was politically motivated by an economic policy rationale. Fostering private contributions for the public interest was not intended to be in first, second or even third place. This partly explains why the pursuit of fulfilling a public purpose did not play a large role in the first years after this legal form of private foundation was introduced. It often only applied to a few role models, which encouraged other foundations to engage with public affairs. As there is no umbrella association for charitable foundations in Austria, a corresponding sector identity is lacking. This general perception was supported by the interviews in the qualitative part of this survey in Austria.

### **Areas of foundations’ activities with a public purpose**

Following the International Classification of Nonprofit Organisations (ICNPO) (Anheier/Salamon 1996), and taking private foundations with solely a public purpose into consideration, on average each foundation represents 1.22 different ICNPO categories and 1.35 sub-categories with reference to foundations’ deeds. As a result, education and research, social services, as well as culture and recreation, are most often the stated activities of charitable private foundations. Specifically, 27 % of the stated activities can be assigned to the ICNPO category ‘education and research’, 20 % to ‘social services’ and 18 % to ‘culture and

recreation' (see Figure 7). Only 5.8 % of the quoted activities are too general to be assigned to any ICNPO category. The strong emphasis on education, research and cultural activities in private foundations can at least be partly explained by the preferable tax breaks for grants directed to these areas <sup>[7]</sup>.

While private foundations have a strong emphasis on education and research, as well as on cultural and recreational activities, federal and provincial public benefit foundations are primarily devoted to supporting activities in the field of education, research and social services.

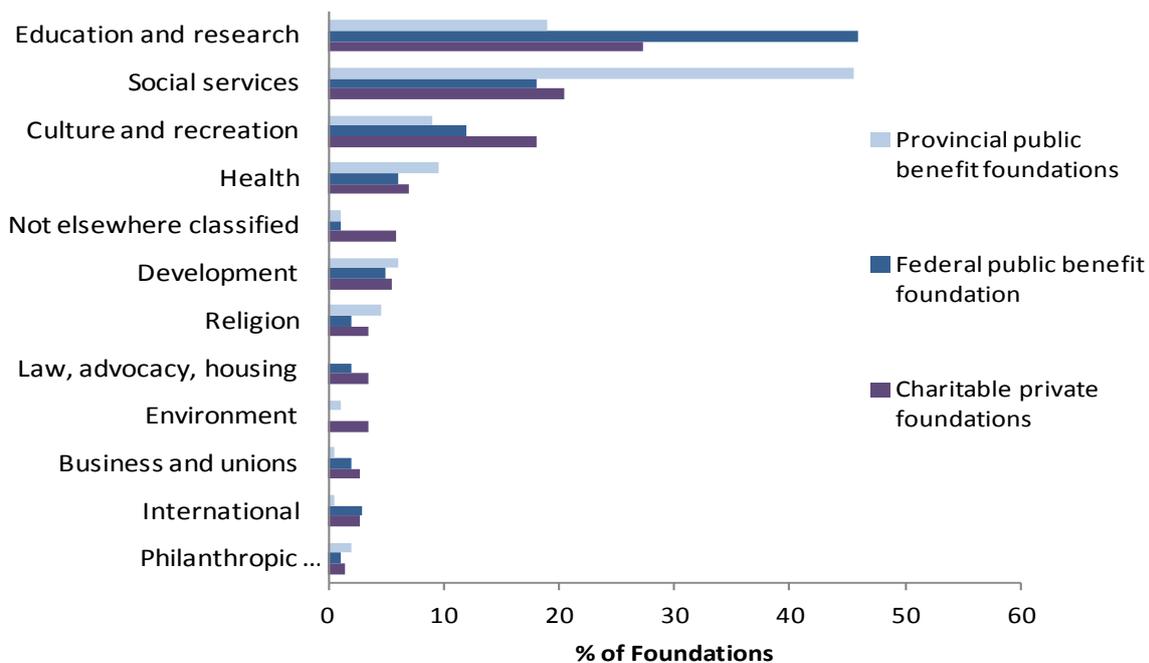
Again, the potential tax break opportunities for the support of education and research have a potential influence on the scope of support in this field. Moreover, research and education is generally also a national matter in the framework of the Austrian Federal Republic. This State responsibility is strongly reflected in activities of federal public benefit foundations, which seem to reproduce this framework in their activities. However, social issues gain importance in relation to charitable private foundations.

Austrian provincial public benefit foundations again have a different scope of support. Here the focus changes and support for 'social services' is the most dominant area of activity, followed by 'education and research' as the second most important area of support, followed in turn by 'health' as well as 'culture and recreation.' The dominance of support for social services might be explained by the legal restriction that this type of foundation must only support beneficiaries who live and work in the respective province. This legal form of foundation can be interpreted as an instrument for supporting the closer environment in regional terms. Moreover, this idea is supported by the fact that social issues in the welfare state of the Austrian Federal Republic are frequently governed and administered on a provincial level. Hence, this legal type would then also reproduce this framework in terms of areas of activity for the public good.

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7 Until 2009 only donations to specific organisations – mostly in the field of research and development as well as cultural activities – were tax deductible. A new law concerning the deductibility of donations and foundation payouts was established in 2009, allowing for the deductibility of donations and foundation payouts if they donated to organisations on the list, which was expanded to the fields of social services and development aid.

**Figure 7: Charitable private foundations – areas of activity<sup>1</sup> (Schneider et al. 2011) [8]**



The data for Austrian foundations (Schneider et al. 2010) does not allow for making conclusions about the relative importance of different purposes within a foundation in cases where multiple purposes are stated. At this stage, and given the analysed data, it can only be claimed that certain fields of civic engagement are on the agenda. Second, classification among ICNPO groups does not allow us to hypothesise about the extent of, impact on or concrete form of foundations’ activities in civil society. Empirical research beyond the deeds and officially stated purposes of foundations is challenging, as long as Austrian private foundations tend to be rather untransparent and use a rather confidential mechanism for managing their financial wealth. Therefore, the EUFORI survey is to our knowledge the first quantitative survey of private foundations with respect to their contribution to societal issues.

## 1.5 Research/innovation funding in Austria

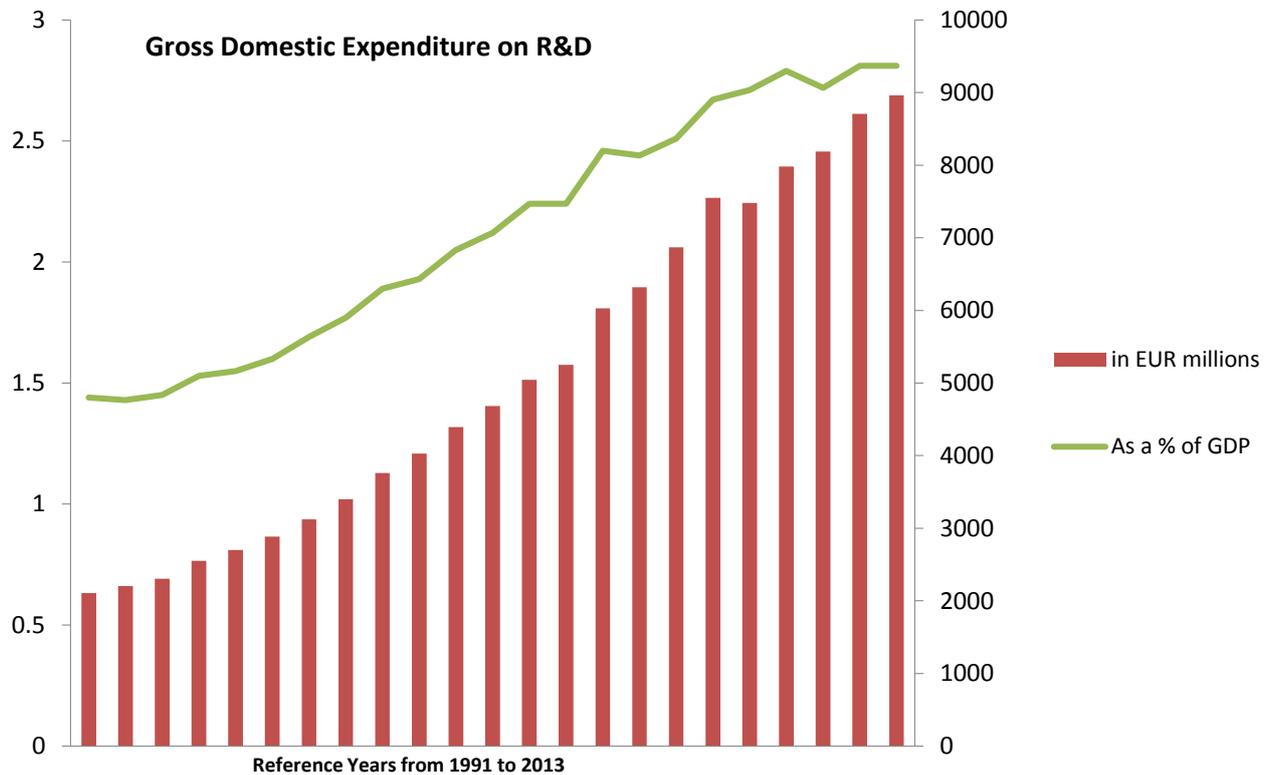
As in comparable economies, research and innovation play a considerable role in Austria, its economy and society. With respect to its ‘R&D intensity’ of 2.71 % (Gross domestic expenditure on R&D, expressed as a percentage of the GDP) in 2009 [9], Austria is above average compared to the European Union (2 %) or the OECD (2.4 %). However, it is not among the top countries within the European Union, such as Finland (3.94 %), Sweden (3.62 %), Denmark (3.16 %) or Germany (3.82%) [10]. In total, Austrian gross domestic expenditure on R&D totalled EUR 7 479 billion.

8 Activities of private foundations with public purposes are only in %; multiple answers are possible, thus the sum of all answers does not equal the sum of all the private foundations with public purposes

9 The data for 2009 represent the final data, whereas the figures from 2010 onwards represent preliminary data according to Statistics Austria.

10 [http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_20&plugin=0](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_20&plugin=0)

**Figure 8: Gross Domestic Expenditure on R&D in Austria (1991-2013)**



Source: [http://www.statistik.gv.at/web\\_en/dynamic/statistics/research\\_and\\_development\\_r\\_d\\_innovation/070518](http://www.statistik.gv.at/web_en/dynamic/statistics/research_and_development_r_d_innovation/070518)

In general, expenditure by the government sector increased continuously from 2002 to 2011; the same was true for the business enterprise sector in absolute numbers. However, the relative share of the latter has been declining from 2007 onwards and has contributed to a rather stagnant total development over the last few years in terms of R&D expenditure in relation to the GDP (see Figure 8). A fact that is regarded as ‘putting the achievement of the ambitious Europe 2020 R&D intensity target of 3.76 % at risk’ (European Commission 2013) and can be explained by the impact of the financial crises, but also by a shortage of the respective venture capital.

In 2009, the Austrian business enterprise sector spent EUR 3.52 billion on R&D (47 %), the government sector EUR 2.66 billion (35.6 %), and foreign investors EUR 1.26 billion (16.8 %). The private nonprofit sector contributed only EUR 42 million (0.6 %). With regard to the performance of EU national innovation systems and measured by the Summary Innovation index, Austria falls into the second group of innovation followers (European Commission 2014). The Innovation Union Scoreboard of 2014 concludes for Austria that ‘relative strengths in performance are in international scientific co-publications, community designs and innovative SMEs collaborating with others. The relative weaknesses are in non-EU doctorate students and venture capital investments’ (European Commission 2014).

**Table 1: R&D expenditure 2002 to 2011 according to sectors of performance and sources of funds**

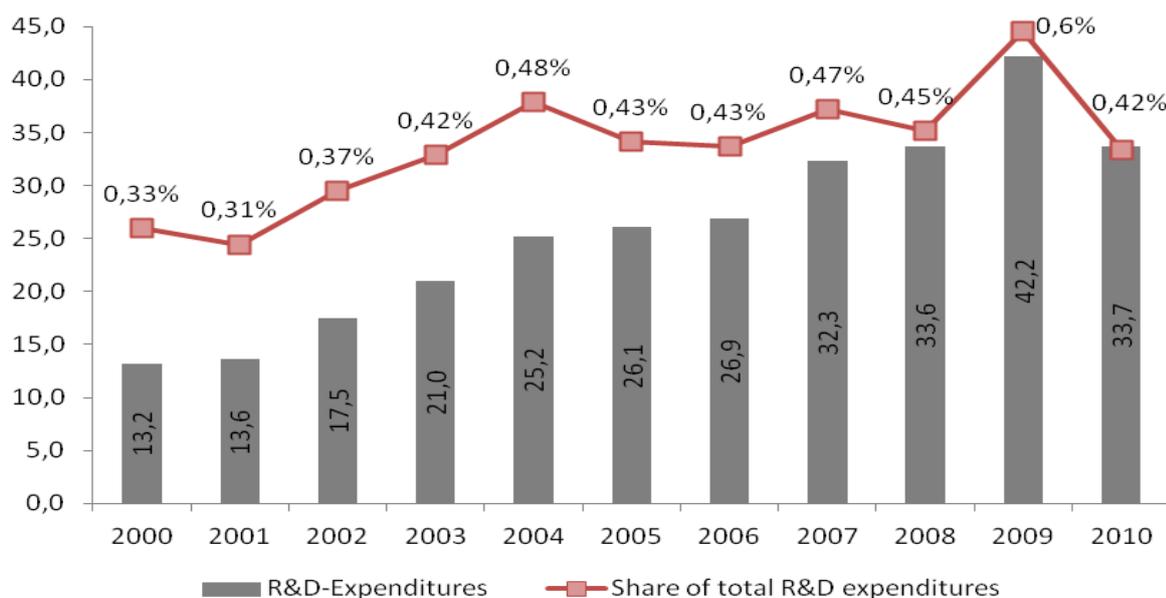
Sectors	2002		2004		2006		2007		2009		2011	
	1 000 EUR	%										
<b>Total</b>	<b>4 684 313</b>	<b>100.0</b>	<b>5 249 546</b>	<b>100.0</b>	<b>6 318 587</b>	<b>100.0</b>	<b>6 867 815</b>	<b>100.0</b>	<b>7 479 745</b>	<b>100.0</b>	<b>8 276 335</b>	<b>100.0</b>
Higher education sector <sup>1)</sup>	1 266 104	27.0	1 401 649	26.7	1 523 160	24.1	1 637 277	23.8	1 951 845	26.1	2 117 553	25.6
Government sector <sup>2)</sup>	266 428	5.7	269 832	5.1	330 232	5.2	367 300	5.3	399 093	5.3	425 222	5.1
Private non-profit sector <sup>3)</sup>	20 897	0.4	21 588	0.4	16 519	0.3	17 377	0.3	35 905	0.5	40 719	0.5
Business enterprise sector	3 130 884	66.9	3 556 479	67.8	4 448 676	70.4	4 845 861	70.6	5 092 902	68.1	5 692 841	68.8
of which:												
Institutes sub-sector <sup>4)</sup>	261 682	5.6	347 703	6.6	428 492	6.8	468 219	6.8	482 719	6.5	625 650	7.6
Company R&D sub-sector	2 869 202	61.3	3 208 776	61.2	4 020 184	63.6	4 377 642	63.7	4 610 183	61.6	5 067 191	61.2
<b>Total</b>	<b>4 684 313</b>	<b>100.0</b>	<b>5 249 546</b>	<b>100.0</b>	<b>6 318 587</b>	<b>100.0</b>	<b>6 867 815</b>	<b>100.0</b>	<b>7 479 745</b>	<b>100.0</b>	<b>8 276 335</b>	<b>100.0</b>
Government sector	1 574 231	33.6	1 732 185	33.0	2 071 310	32.8	2 260 857	32.9	2 661 623	35.6	3 014 526	36.4
Business enterprise sector	2 090 626	44.6	2 475 549	47.1	3 056 999	48.4	3 344 400	48.7	3 520 016	47.0	3 820 904	46.2
Private non-profit sector	17 491	0.4	25 201	0.5	26 928	0.4	32 316	0.5	42 179	0.6	39 236	0.5
Abroad	1 001 965	21.4	1 016 611	19.4	1 163 350	18.4	1 230 242	17.9	1 255 927	16.8	1 401 669	16.9
of which: EU	78 281	1.7	86 974	1.7	103 862	1.6	101 094	1.5	111 470	1.5	150 259	1.8

S: STATISTICS AUSTRIA, Surveys on Research and experimental Development (R&D). Compiled on 19 August 2013. 1) Universities including clinics, universities of the arts, Austrian Academy of Science and experimental institutes at schools of higher technical education. Since 2002 including universities of applied sciences, private universities and the Danube University Krems. Since 2007 including universities of teacher education. Since 2009 including other institutions of the higher education sector. - 2) Central, regional and local institutions (except those of the higher education sector), chambers, R&D facilities of the units belonging to the social security system, private non-profit institutions controlled and/or mainly financed by government as well as R&D institutions of the Ludwig Boltzmann society, including provincial hospitals. - Provincial hospitals were not surveyed with a questionnaire, but R&D expenditures were estimated by Statistics Austria based upon reports from the regional governments. -

3) Private non-profit institutions with a mainly private, religious or other non-public status or under private law. - 4) Including AIT Austrian Institute of Technology GmbH as well as competence centers. - Rounding differences occur.

Highlighting the nonprofit sector, it can be seen that around EUR 42 million (0.6 %) of all expenditure on R&D is made by nonprofit organisations, which would also include foundations (see Figure 9 below).

**Figure 9: R&D expenditure and share of the nonprofit sector (2000-2010)**



Source: Eurostat 2012

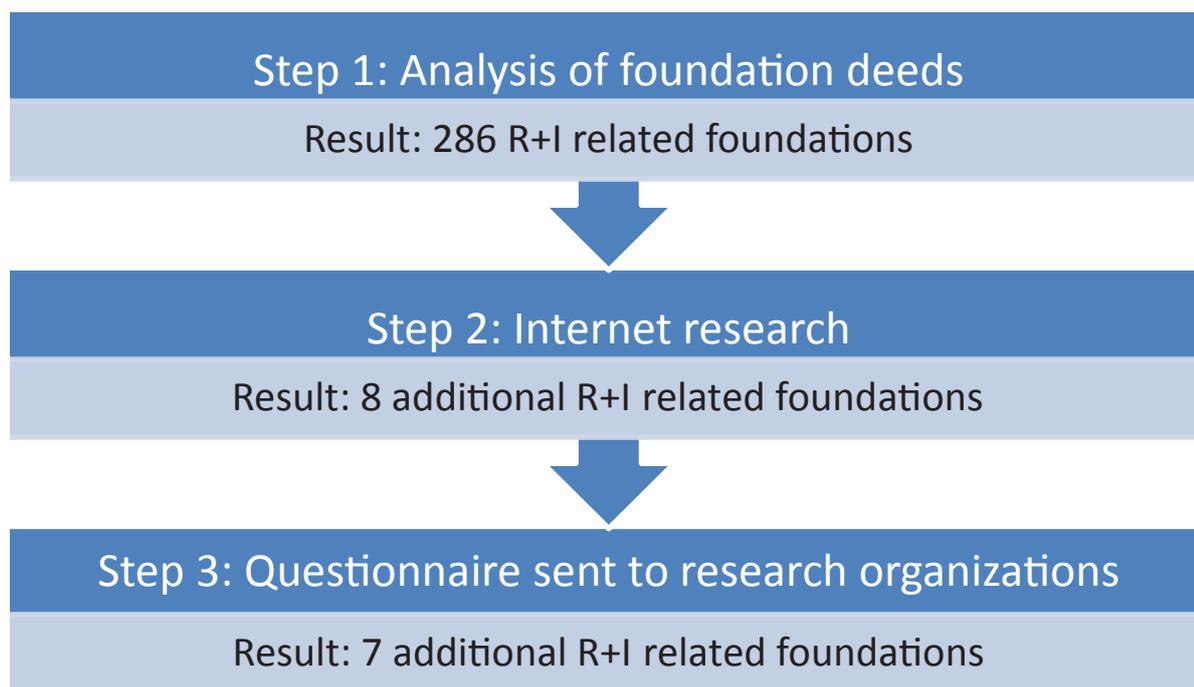
It should be noted that there does not exist a respective satellite account that would capture the nonprofit sector per se. Hence, the expenditure by the nonprofit sector represents a residual category. To give an example, if a nonprofit organisation carries out research activities and is funded mainly either by the government or the business sector and/or is mainly controlled by one of these players, the respective expenditure is attributed to the government sector or the business enterprise sector. Moreover, there is no way of making further classifications with respect to the legal form of the respective nonprofit organisation. Hence, we cannot draw comprehensive conclusions on the respective importance of funding activities for R&D by Austrian foundations.

# 2 Data Collection

## 2.1 The identification of the foundations supporting R&I

In order to develop a comprehensive list of foundations for the EUFORI study a three-step approach was chosen (see Figure 10):

**Figure 10: Sample process**



First, we reanalysed the full number of foundations deeds (as compared to the figures we gathered in our previous project in 2008, see also Chapter 1.2). These data are publicly available either through the Ministry of Internal Affairs, the respective local authorities or the Austrian company register (*Firmenbuch*) (see Chapter 1). By this we filtered those foundations that stated research and innovation-related activities as purposes in their deeds. The total number of foundations at this stage was 238 provincial public benefit foundations, 211 federal public benefit foundations and 3071 private foundations. Additionally, we included provincial and federal funds in our example, as they comply with the operational definition chosen for this project. In total we therefore included 102 provincial funds and 70 federal funds.

Thus, in what follows, when we use the term ‘foundation’, we refer to all the organisations in our sample, including funds. This filtering process resulted in a list of 286 foundations that mentioned research and innovation activities in their deeds. More specifically we searched for keywords such as ‘research,’ ‘innovation,’ ‘university,’ ‘academic’ and ‘technology’ or the equivalent German expression. This research resulted in 122 private foundations, 93 federal public benefit foundations, 26 provincial public benefit foundations, 19 federal funds and 26 provincial funds. In the cases of all the organisational forms included

in the sample, except private foundations, these figures represent the final sample, as these foundations are legally obliged to specify their purposes in their deeds. In the case of private foundations, we do not know if all the foundations supporting R&I were included, as not all private foundations specify their purposes in their deeds in great detail, but instead they have the option of only including this information in their auxiliary deeds, which are not publicly accessible. Thus we complemented step one with an analysis of newspaper articles and a short questionnaire addressed to potential beneficiary organisations.

To be more specific, as a second step, we analysed the print media to search for newspaper articles reporting on private foundations related to research and innovation. We used the APA Defacto database, which includes all the main national Austrian newspapers. We used the following search terms in varying combinations: 'private foundation,' 'research,' 'science,' 'innovation,' university,' 'university of applied science' or the equivalent German expression. This yielded additional eight private foundations.

Thirdly, we sent out a short questionnaire to different types of beneficiaries, in order to include those foundations which we could not identify through steps one and two. In this questionnaire we asked the research organisations whether they had received funds from any foundations within the last five years. We sent out the questionnaire by e-mail to all the Austrian public universities (N=22), private universities (N=11), universities of applied science (N=21), as well as to research institutes, which are organised as nonprofit entities (N=242). While information about the first four types of research institution was publicly available, we obtained a comprehensive list of research institutes from Statistics Austria who are responsible for performing services in the area of federal statistics. This information is based on the Austrian 'Forschungsstättenkatalog,' a list that comprises organisations that are active in R&I, and who gave their consent to be published in this catalogue. Overall, for all the research institutions, we received 42 responses (13 universities, 23 non-university-based research institutes, four private universities and two universities for applied science). While the response rate was only 14 %, only seven additional private foundations were mentioned during this process. As the majority of these seven additional foundations were mentioned by public universities, out of which more than 50 % filled in the short questionnaire, we are therefore confident that our sample covers to a very great extent the existing R&I related foundations. Summing up all these figures, our final sample includes 137 private foundations, 93 federal public benefit foundations, 26 provincial public benefit foundations, 19 federal funds and 26 provincial funds, making a total of 301 foundations.

## 2.2 The survey

Given the fact that email addresses were only available in very few cases, the 301 foundations received a survey invitation by postal mail in April 2013. We had access to all the postal addresses through their deeds. This letter contained a general invitation signed by the Head of the Institute of Nonprofit Management providing an explanation for the purpose of the survey and an invitation to fill in the survey online, including a link to the German online survey. Additionally, a letter of endorsement provided by the Austrian Federal Ministry of Science and Research was enclosed with the letter. By May 2013, 39 foundations had filled in the questionnaire and 15 foundations had declared their unwillingness to take part in the survey. Moreover, we noticed that a substantial number of letters were sent back due to wrong addresses and

unknown receivers, even though we retrieved this data from official databases or sources. Thus, to further improve the response rate, in June 2013 the Austrian project team researched the telephone numbers and people in charge of those foundations that had not yet filled in the questionnaire, and subsequently made reminder calls (approximately 200 cases). This follow-up procedure significantly improved the response rate, and resulted in an additional 70 answers, yielding a final response rate of 109 foundations, or 36 % of the total sample. Given the fact that most of the foundations had either no homepage, or only provided basic information on their homepages, we could not complement the survey information with additional data from other sources.

## 2.3 The interviews

Between 20 January 2014 and 5 March 2014, six interviews were conducted. In terms of sample generation, we consulted the survey findings to look at the variables yielding results which need further explanation, and which could not be explained by simply looking at the quantitative data. Thus we tried to include different forms of organisation, both small and large foundations in terms of their financial means (expenditure and/or assets), as well as foundations that are financed from different sources, including foundations financed from both public and private sources. Additionally, we tried to include the few foundations that stated interesting innovation examples or which were involved in interesting partnerships, in order to further investigate these practices. In the end, we were able to conduct interviews with a bank representative who was responsible for administering eight foundations set up by the bank and devoted to supporting Austrian universities (each initially endowed with EUR 363 000), as well as the presumably largest Austrian charitable foundation in terms of total expenditure with a budget of around EUR 7.6 million per year, two minor foundations (one comprising a private endowment of EUR 1.3 million, one with an annual budget of around EUR 200 000 from public subsidies), and two medium-sized foundations (one with an annual budget of EUR 300 000 based on a private endowment and the other on with an annual budget of around EUR 2 million based on public subsidies and earned income).

We used a semi-structured interview guideline, starting with general questions about the specific motivations for setting up a foundation, and then asking more specific questions about their respective practices, their grantmaking strategy, the existence of national or international partnerships, their perception of specific roles in society, the role of innovation in their activities and perceived barriers against the foundations' activities. Concerning those foundations that had been chosen because of their specific innovative and collaborative activities we further investigated these issues. The interviews typically lasted between 30 and 60 minutes.

# 3 Results

## 3.1 Types of foundations

Out of the 109 foundations which filled in the questionnaire, 66 organisations (thus 60 % of the responding foundations) are actually active in the field of research and/or innovation. The remaining 40 % have research and innovation purposes stated in their deeds, although they are presently not active in the field of research and innovation. In these instances, the research purposes stated in the deeds apparently have a subsidiary or optional character. In what follows, we will only focus on those 66 foundations that are actually active in the field of research and/or innovation. For each sub-chapter we will focus on the general results and present more detailed results in cases where interesting patterns in terms of different subgroups/variables emerge.

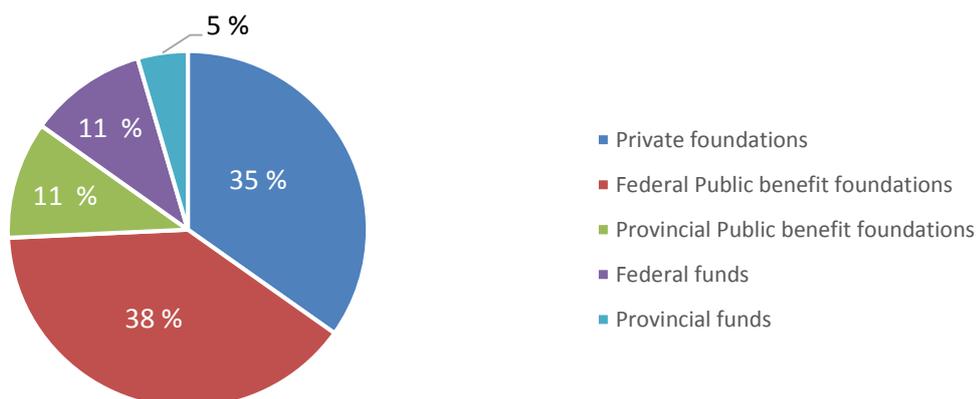
In this first sub-chapter we consider the specific characteristics of the foundations that took part in the survey, such as their legal status, age, or their predominant purpose.

### The legal type of foundation

Austrian Law provides for three different types of foundation (see Chapter 1) and two closely related legal forms, the so-called federal and provincial funds, which fulfil the working definition used in this project, with the difference being that they were not necessarily established to exist for an unlimited time period, but are usually long-term oriented. Thus, for the purpose of this report, when we refer to foundations in general, federal and provincial funds are included.

Our results show that federal public benefit foundations (39 %) and private foundations (35 %) are the most common legal form dealing with issues related to research and innovation. Moreover, provincial public benefit foundations, as well as federal funds, both account for 10 % of all the responding entities. Provincial funds do not play an important role and lag behind, only making up 5 % of the sample under analysis (see Figure 11).

**Figure 11: Legal forms of F&I foundations in Austria**  
As a percentage of the total number of foundations (N=66)



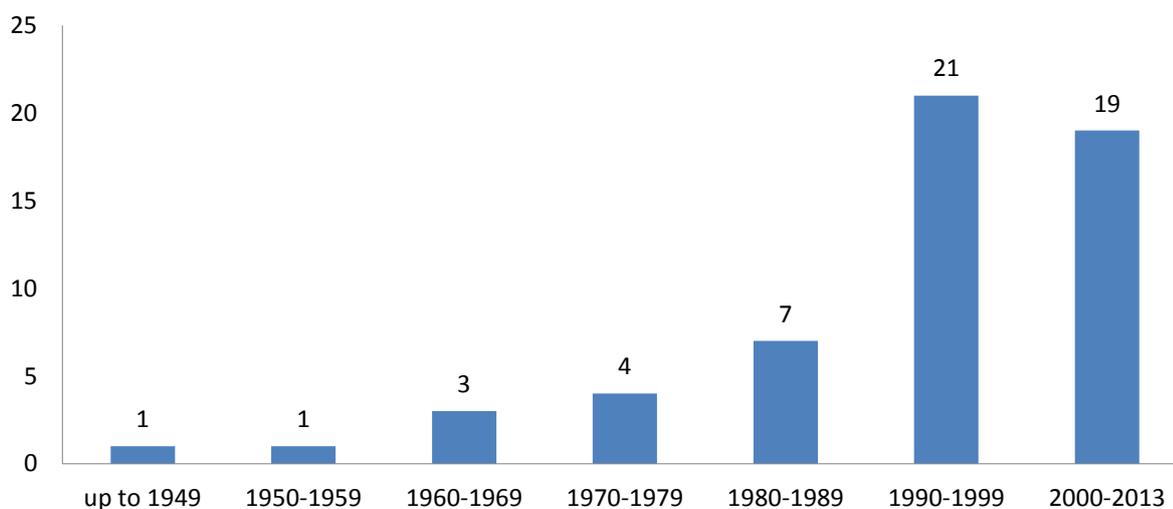
In terms of the regional dispersion of these foundations, most of them, no matter which legal type, 62 % were founded in Vienna, the capital of Austria. Salzburg and Styria are two provinces where 10 % of the sampled foundations are situated. All the other provinces account for no more than 5 % of all the foundations.

### The age of the foundations

As far as the age of the foundations is concerned, one can clearly see that the majority (40 out of 56) were founded after 1990, while fewer than 10 foundations were founded before 1979 (see Figure 12). From this we can conclude that research and innovation foundations are predominantly a phenomenon of the last three decades.

**Figure 12: Types of foundation according to year of establishment**

Number of foundations by decade (N=56)

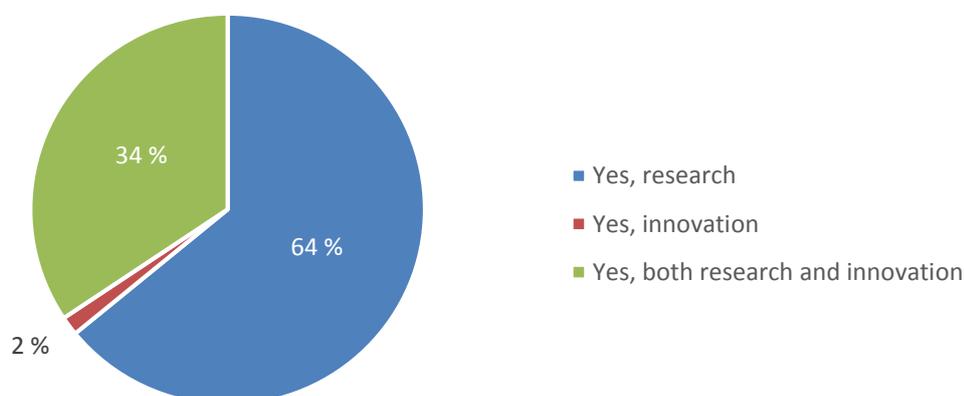


### Types of foundation: research and/or innovation

Looking at whether foundations are either active in research or innovation activities (see Figure 13), one can see that the majority of the foundations under analysis deal with research, namely 64 %, another 34 % are active in both research and innovation and only 2 % exclusively stated innovation activities.

**Figure 13: Types of foundation; research and/or innovation**

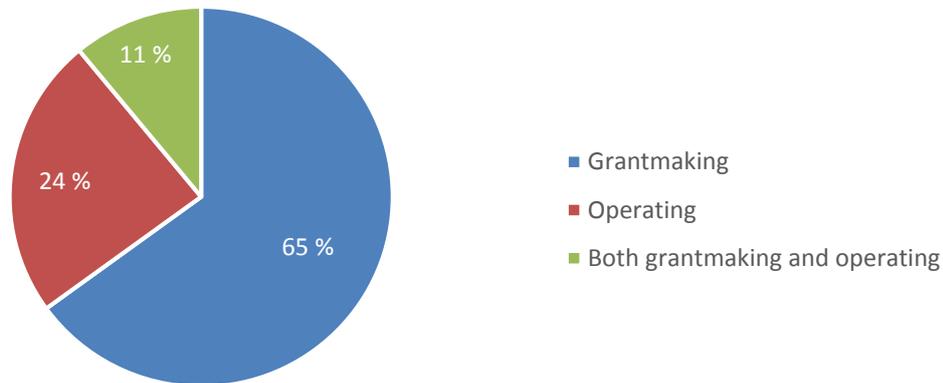
As a percentage of the total number of foundations (N=64)



## Grantmaking versus operating foundations

Overall, grantmaking foundations are in the majority and account for 65 % of the respondent foundations, whereas 24 % are operating foundations and another 11 % are both grantmaking and operating (see Figure 14). These findings are similar across most foundation types, with the exception that the majority of operating foundations are set up as private foundations.

**Figure 14: Types of foundations; grantmaking versus operating**  
As a percentage of the total number of foundations (N=61)



## Mostly or partly supporting R&I

To find out about the extent of grantmaking, the relative amount of expenditure that goes on research and innovation instead of other activities is a valid indicator. Our data show that three quarters of all foundations spend 80 % or more of their expenditure on research and innovation activities. Thus, we can conclude that the majority of these foundations mostly support R&I.

In those instances where research activities are only marginal, research activities often have a very close relation with the other funded topics, e.g. a foundation that is active in international aid conducts research to find out about the efficacy of a specific funding instrument.

## 3.2 The origin of funds

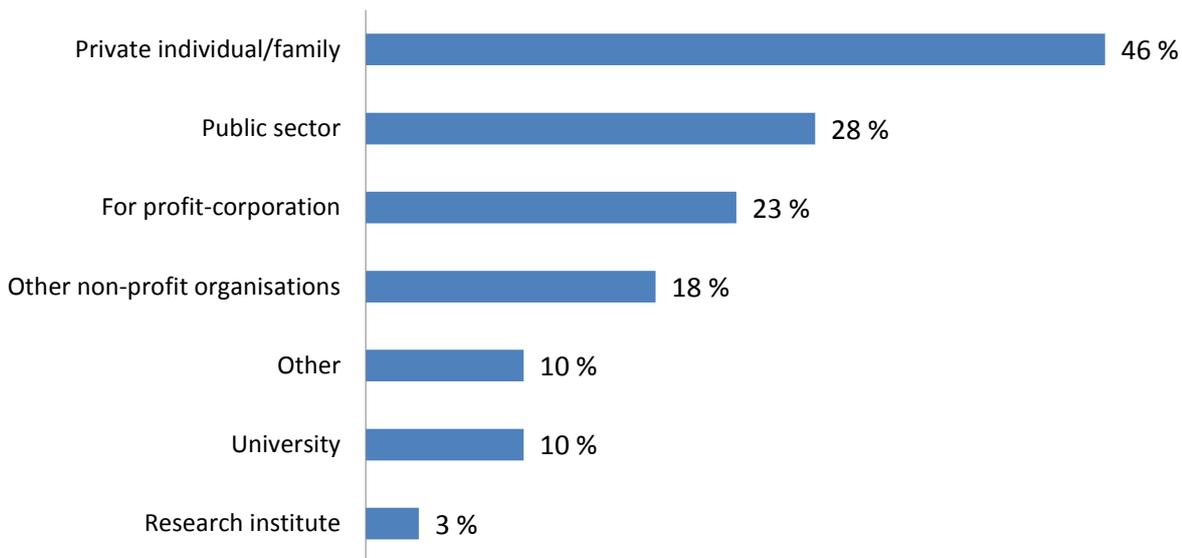
### Financial founders

Almost half, namely 46 % of the respondent foundations, are (or at least partially) funded by one individual or family.

Among the other important founders is the public sector: 28 % of all foundations have a public body as their founder, and 16 % were exclusively founded by a public organisation. Federal and provincial funds in particular are set up by the public sector. Additionally, for profit corporations (23 % of all foundations) and other nonprofit organisations (18 %) function as founders, whereas universities (10 %) and research institutes (3 %) establish a foundation less frequently (see Figure 15).

### Figure 15: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=60)



80 % of foundations were funded by one founder, meaning only 20 % have more than one founder. In those instances where more than one founder was present, a frequent combination is the joining of forces between the State and a private foundation. To provide a practical example from the interviews, one foundation was set up by both a number of individuals and local municipalities in order to maintain the memory of an important Austrian architect and to make his artistic work available to the public.

A further analysis of the origin of the initial endowment shows that the majority of foundations, namely 69 %, mention a donation from the initial founder as the source of their endowment. Additionally, 20 % mentioned a bequest as the source of their endowment and another 20 % stated property as the origin of their endowment. Shareholdings played a comparatively unimportant role. In most instances the endowments came from one source.

Furthermore, the results clearly show that the majority of all the foundations (87 %) maintained or even expanded their endowment at the trustees' discretion (19 %), and only 13 % wanted to (partially) spend down their endowment.

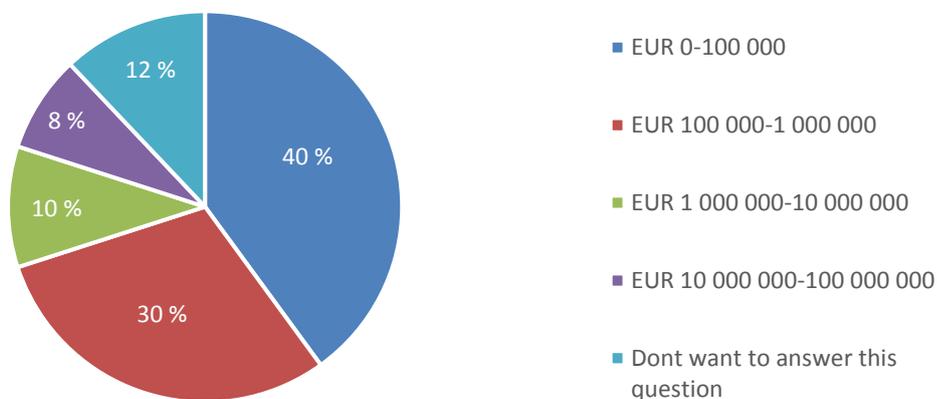
### Total income

Overall, the 44 foundations that responded to this question have a combined income of more than EUR 137 million. The annual income of individual foundations varies significantly, ranging from EUR 2 900 to EUR 68 300 000 per annum, while the median income amounts to EUR 135 259, and the mean is EUR 3 116 072. Thus, the results are greatly skewed, as some of the largest foundations raise only an average amount. Looking at the distribution of the total income between the foundations, 40 % have an income below EUR 100 000, another 30 % have a total yearly income of between EUR 100 000 and EUR 1 000 000, 10 % have an income of between EUR 1 000 000 and EUR 10 000 000 and only 8 % have an income of between EUR 10 000 000 and EUR 100 000 000, while none of the foundations has an income above EUR 100 000 000 (see Figure 16). Among the foundations with the highest income, we find a set of publicly funded

foundations, such as two universities of applied science or a very large fund that gives money to all types of research. Our data further reveal that the majority of large foundations in terms of annual income are private foundations, and in most cases operating foundations, while most of the other foundations have a comparable small income.

**Figure 16: Total Income according to category in Euros, 2012**

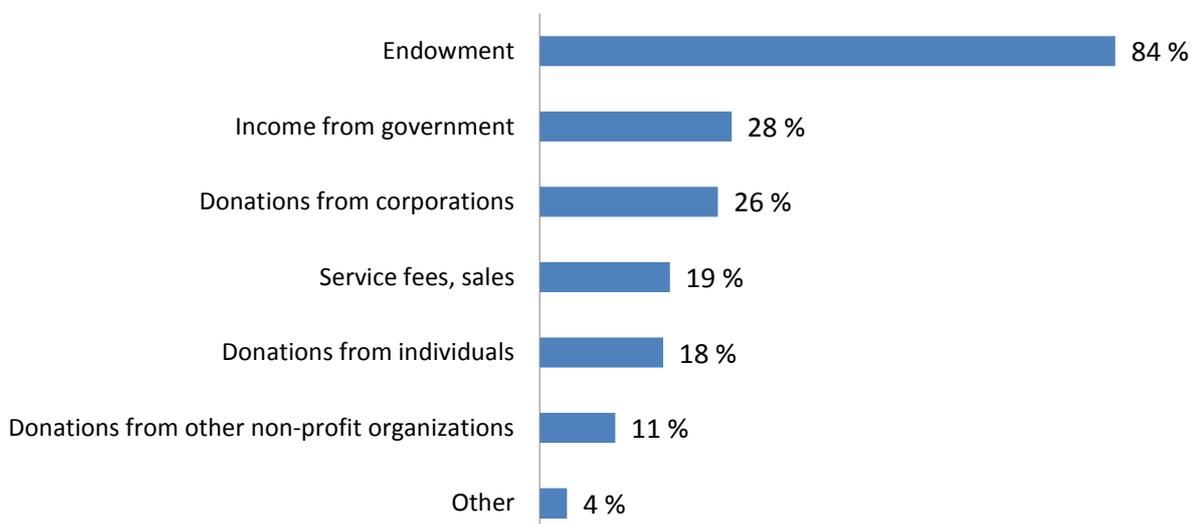
As a percentage of the total number of foundations (N=50)



On average, foundations obtain their income from two different sources. Consistent with the findings about the common combinations of different founder types, income from an endowment frequently goes together with an income either stemming from donations, from the government or from service fees. Looking at the composition of income (see Figure 17), 84 % of the respondent foundations derive (part) of their annual income from interest or dividends from an initial endowment. Besides interest from an initial endowment as a source of income, 28 % of the foundations have at least partial access to government sources and 26 % receive donations from corporations. Beyond that, 19 % of all foundations generate service fees, 18 % obtain donations from individuals, 11 % receive money from other nonprofit organisations, and 4 % from other sources.

**Figure 17: Sources of income**

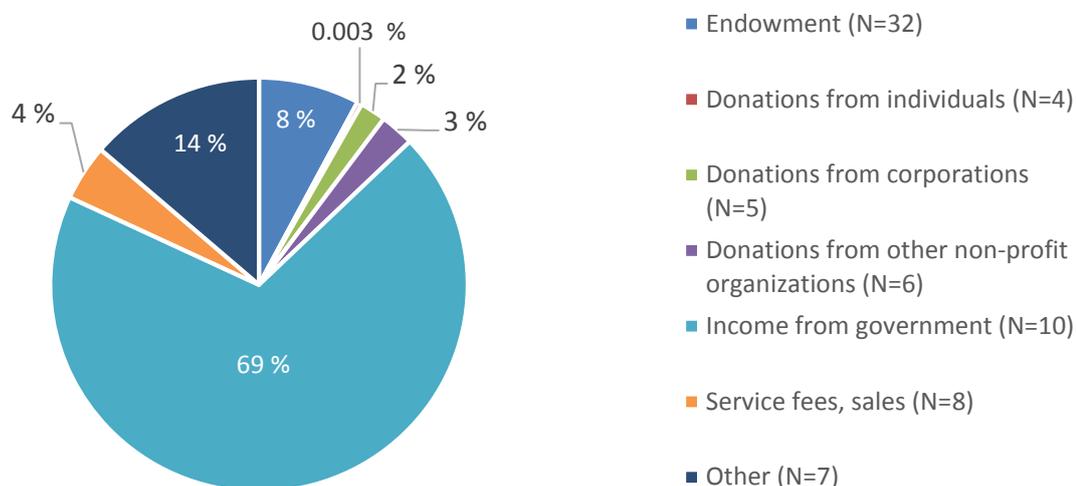
As a percentage of the total number of foundations (N=57)



A quite different picture emerges if one looks at the percentage of total income each source of income accounts for (see Figure 18). 69 % of the total (known) income comes from government sources, 8 % stems from an initial endowment, 4 % comes from service fees and sales, 3 % from donations from other nonprofit organisations, 2 % stems from donations from corporations, and 14 % comes from other sources (such as licences). This reveals that some very large foundations who receive money from the government push up the total amount of income received from this source. For example, two universities of applied science are set up as foundations, receiving large amounts of government funding each year. Interestingly, giving money to foundations does not correspond with having a say on the board. In almost 90 % of all cases the government does not have a seat on the governing board. Similarly, the influence of government bodies on decision making is judged as very low. On a Likert scale ranging from 0 to 10 (with zero meaning no influence and ten implying a high influence) 80 % of the foundations do not assess the influence of the government as being higher than three.

**Figure 18: Sources of income**

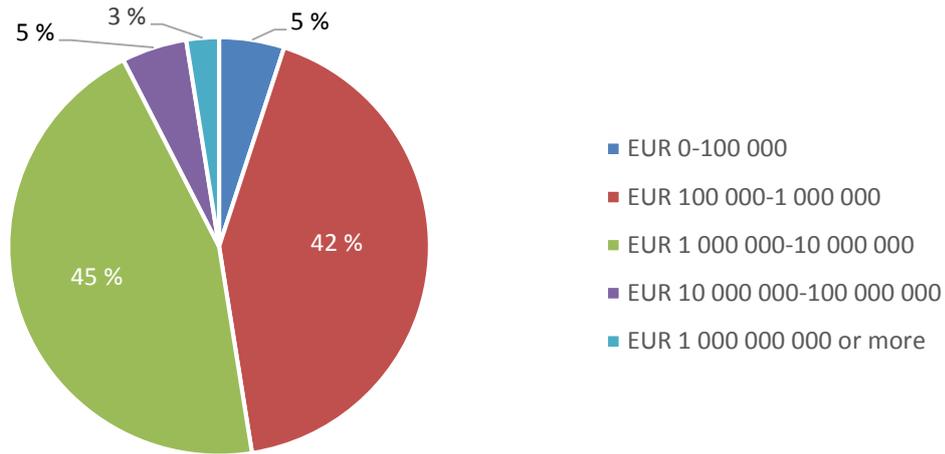
As a percentage of total (known) income



Overall, summing up the assets of all the foundations gives an amount of EUR 1 610 340 769 Euros. Our results show that on average assets amount to EUR 40 258 519; however the median value is significantly lower, with EUR 1 093 065. Thus, once again a small proportion of the large foundations have a significant effect on the average. Figure 19 demonstrates that 42 % of all the foundation have assets of between EUR 100 000 and EUR 1 000 000 and another 45 % have assets of between EUR 1 000 000 and EUR 10 000 000 Euros. Thus, almost 90 % of all the foundations fall into these two asset groups.

**Figure 19: Total assets according to categories in Euros, 2012**

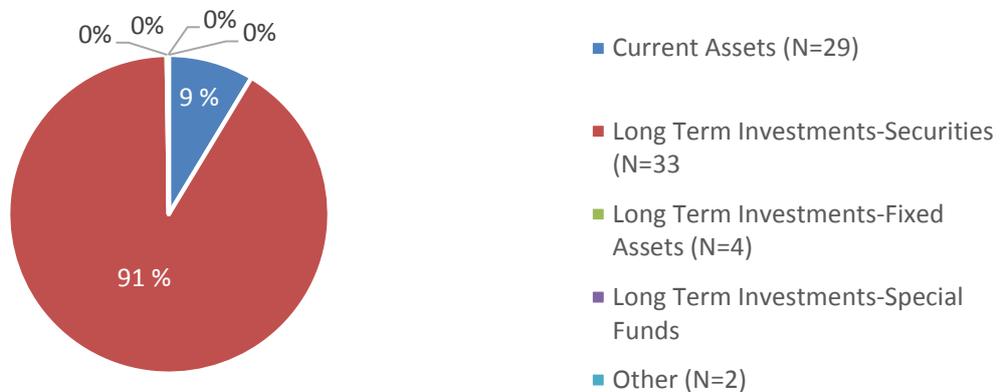
As a percentage of the total number of foundations (N=40)



Having a glance at how these assets are invested, a clear picture emerges: the majority of all assets, namely 91 % (amounting to EUR 1 467 837 493) are invested in securities. Current assets are also relevant (8 %) amounting to EUR 138 704 248. All other forms of assets are relatively unimportant, especially if one compares these figures with the data on the overall foundation sector in Austria, a significant difference emerges, as investments in land and housing play a very relevant role. Additionally, our interviews demonstrate that a conservative investment is essential for all the interviewed foundations, since the stability of the foundations is their main goal.

**Figure 20: Distribution of assets**

As a percentage of total (known) assets



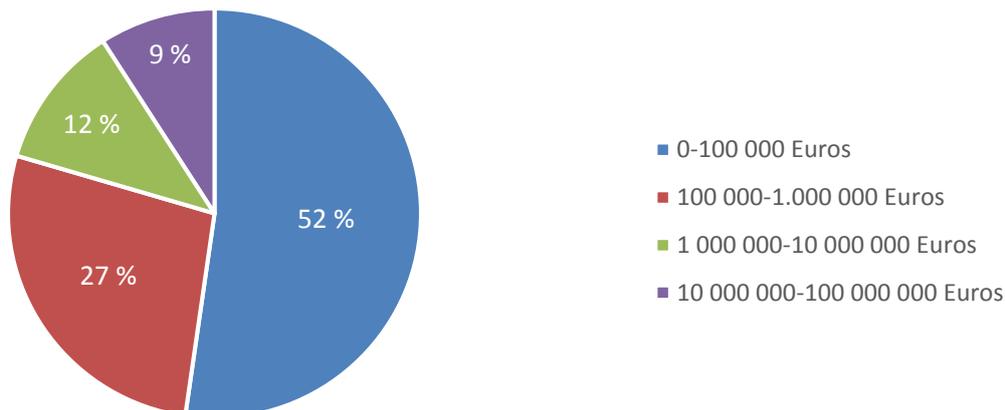
### 3.3 Expenditure

#### Total expenditure

The average amount of total yearly expenditure is EUR 1 791 000. Again, the median value is significantly below this, only accounting for EUR 99 259 Euros. More than half of all the foundations (52 %) spent less than EUR 100 000 in 2012, another 27 % spent between EUR 100 000 and EUR 1 000 000, 12 % between EUR 1 000 000 and EUR 10 000 000 and only 9 % spent between EUR 10 000 000 and EUR 1 000 000 000 in 2012 (see Figure 21). Out of all the interviews with foundations funded by private individuals, a rather small annual amount was mentioned as one impediment to achieving a broader impact. While all of these foundations are conscious of their rather small contribution, they still stress the importance of their activities for setting an example.

**Figure 21: Total expenditure according to category in Euros, 2012**

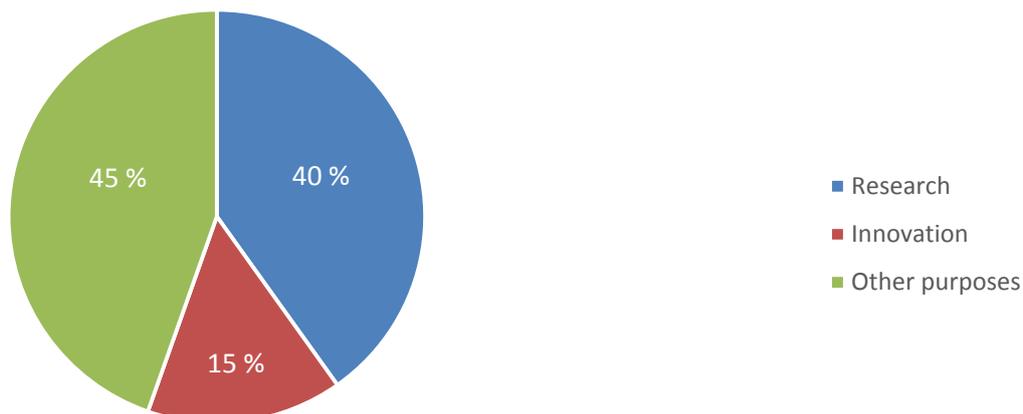
As a percentage of the total number of foundations (N=44)



As a percentage of the total (known) expenditure it can be seen that 40 % is reserved for research, 15 % goes on innovative activities and another 45 % <sup>[11]</sup> on other purposes (see Figure 22).

**Figure 22: Distribution of total expenditure; research, innovation and/or other expenditure**

As a percentage of total known expenditure (N=42)



## Research

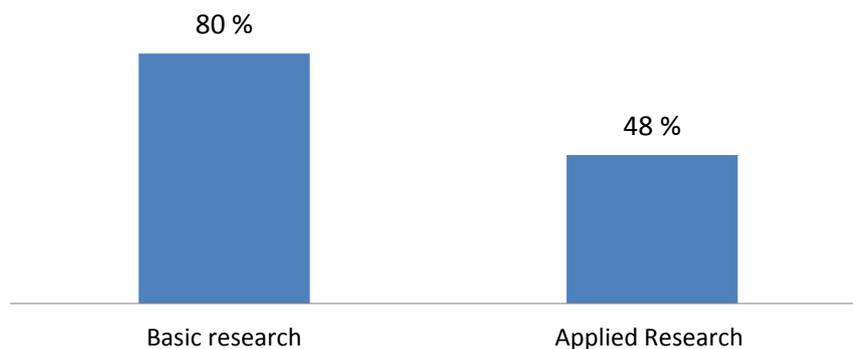
As a percentage of the total expenditure on research, 64 % is devoted to basic research, 21 % goes on applied research and 15 % is unknown. In terms of foundations, 80 % give to basic research and 48 % to applied research (see Figure 23).

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<sup>11</sup> This amount is greatly influenced by a small number of foundations.

**Figure 23: Distribution of expenditure on research; basic versus applied**

As a percentage of the total number of foundations (N=46)



Separating direct research and research-related activities as a percentage of the total expenditure on research, 73 % goes to direct research, 15 % to research-related activities, and 12 % is not allocated.

### Distribution of expenditure on research

Activity	Amount in Euros	%
Direct research	18 868 787	73 %
Research-related	3 802 058	15 %
Unknown	3 158 560	12 %
<b>Total expenditure</b>	<b>25 829 406</b>	<b>100 %</b>

## Innovation

80 % of all innovation expenditure is in the form of grants, while 6 % is operating expenditures and 14 % is not known.

### Distribution of expenditure on innovation

Activity	Amount in Euros	%
Grants	7 358 657	80 %
Operations	511 032	6 %
Other	0	0 %
Unknown	1 295 772	14 %
<b>Total expenditure</b>	<b>9 255 520</b>	<b>100 %</b>

A variety of different innovation-related projects are described, ranging from technology-focused projects such as the development of a special tool that helps to locate divers, to specific tools for wind power plants, to new forms of knowledge transfer in the field of medicine, to the development of a university program for children, to projects that help to measure the impact of large events (see Chapter 4).

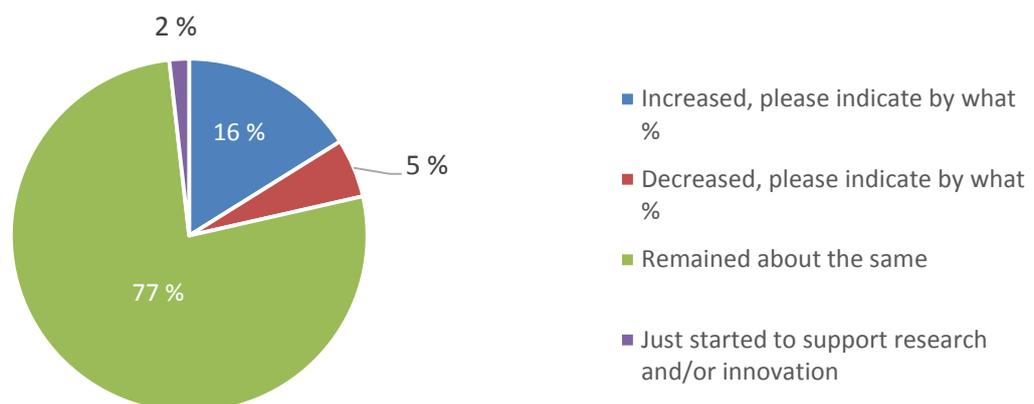
## Changes in expenditure

While 77 % of all foundations kept their expenditure constant during the previous year, 72 % plan to do so in the coming year. Additionally, 16 % of all foundations have increased their expenditure during the last year, and 24 % want to do so in the coming year. Some foundations stated that they want to double or even triple the amount spent during the previous year. Only very few foundations, namely 5 % last year and 4 % (for the coming year) decreased/will decrease their expenditure (see Figures 24 and 25). Our interviews show that stability of funds is one of the strong points attributed to foundations, which is at least partly due to rather conservative investment strategies. For instance, one savings bank foundation in the sample said; ‘Overall we are a very stable foundation. I mean, of course we can have short-term difficulties if the dividends are lower one year. But in the long run we are very stable, we only have to overcome current difficulties, still having a very substantial financial foundation, so that we will be able to pursue the activities over a very long period of time.’

Another foundation said; ‘There have been a lot of good years (...) in which we were able, through very conservative but stable asset management, to invest sustainably. We have successfully managed all crises, because we have invested and will invest very conservatively (...). This allows us in times of low interest rates to spend constant amounts of money and not have to say, “sorry, but we don’t have money” during bad times. This also increases certainty for our beneficiaries.’

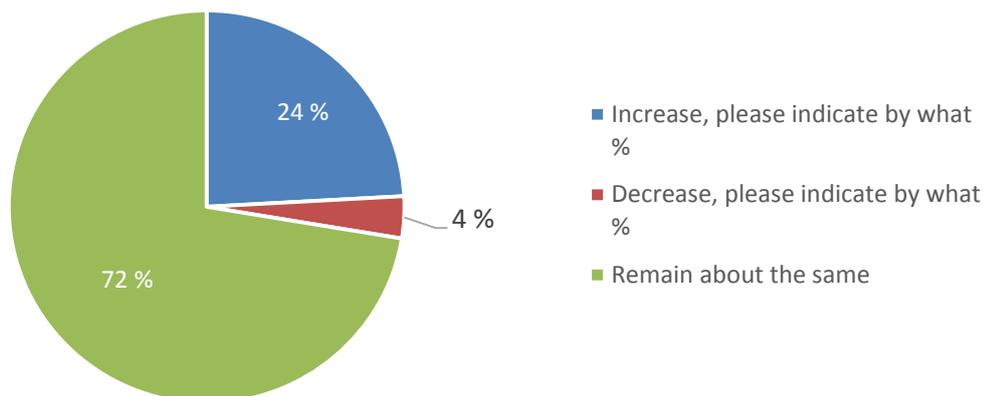
Those who want to increase their expenditures often don’t have the possibility to do so through their own funds, but instead try to obtain additional funds from other institutions.

**Figure 24: Changes in expenditure on research and innovation compared to the previous year (N=56)**



**Figure 25: Changes in expenditure on research and innovation, expectations for the following year**

As a percentage of the total number of foundations (N=58)

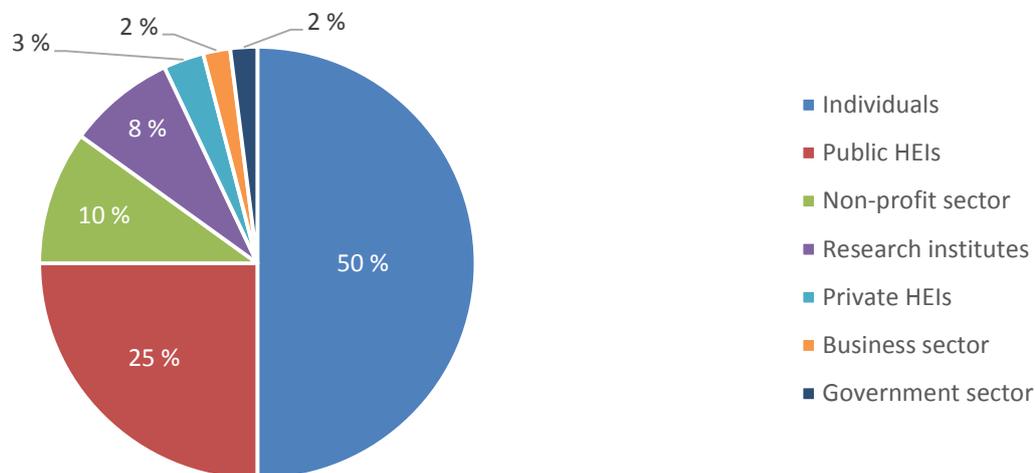


### 3.4 Focus of support

On average, individuals are the most frequently mentioned target group of Austrian foundations supporting R&I. About 50 % of all beneficiaries are individual people. Public higher education institutions rank second, accounting for 25 % of all beneficiaries. Moreover, nonprofit organisations and research institutes (each accounting for 9 % of all beneficiaries) play a relevant role. Private higher education institutions, the government sector as well as the business sector, together make up less than 10 % of all beneficiaries (see Figure 26).

**Figure 26: Beneficiaries**

As a percentage of the total number of beneficiaries (N=43)



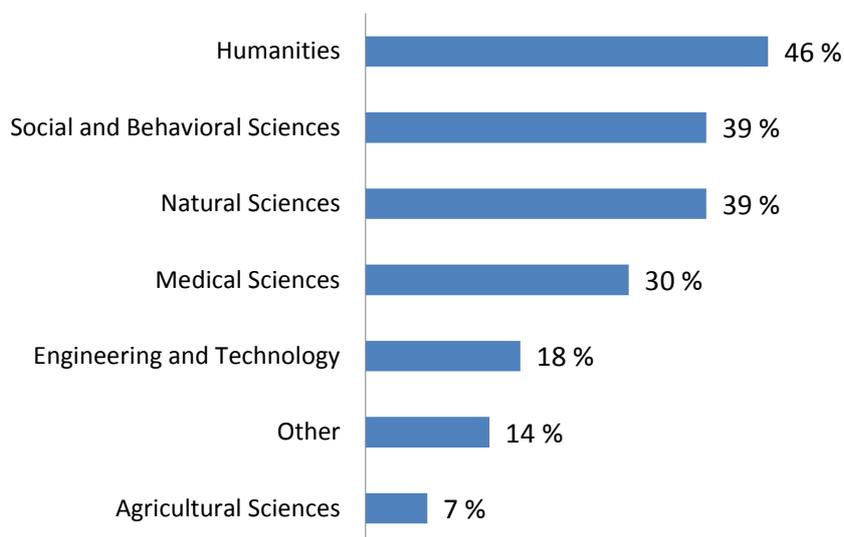
### Research areas

Analysing the specific research areas funded by foundations, the results reveal that 46 % of all foundations fund the humanities, 39 % fund natural sciences, another 39 % social and behavioural science, and 33 % medical science. Thus, these four areas of activities are the most frequently mentioned. Another 18 % of respondents mentioned engineering and technology, and 7 % agricultural science, and another 12 % fund activities which have not been included in the list provided, such as the fine arts or music (see Figure 27). Some tentative results (as only few foundations answered this question) show, that overall the amount

that goes to natural science, agricultural science, and engineering and technology are higher compared to expenditure on the humanities and social science. Overall, in those instances when foundations fund more than one field simultaneously, natural sciences and engineering are the two fields which are often prioritised.

### Figure 27: Research areas

As a percentage of the total number of foundations, multiple answers possible (N=57)



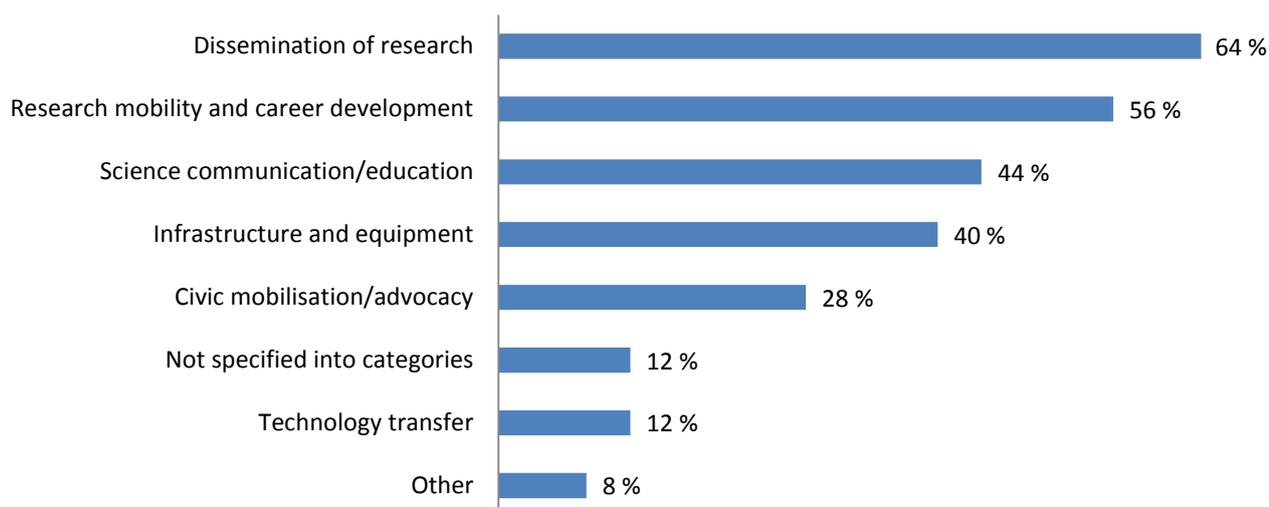
### Research-related activities

Five research-related activities stand out: dissemination and research (mentioned by 64 % of the foundations), research mobility and career development (56 %), the provision of infrastructure and equipment (40 %), science communication and education (44 %) and civic mobilisation (28 %). On the other hand, technology transfer (12 %) seems to be of minor importance (see Figure 28). In terms of the amount spent on each research-related activity, very tentative results (again, only very few foundations have answered this question) indicate that the highest amounts go on the provision of infrastructure and equipment, as well as science communication and education. In those instances where more than one research-related activity is funded, research mobility, the dissemination of research, results as well as infrastructure and equipment are the three prioritised activities.

### Figure 28: Research-related activities

As a percentage of the total number of foundations, multiple answers possible

(N=25)



### Changes in expenditure on research and research-related activities

Our data shows that foundations do not frequently change their areas of research, nor the research-related activities they fund. Within the five last years, their funding priorities have remained fairly stable.

## 3.5 The geographical dimensions of activities

### Geographical focus

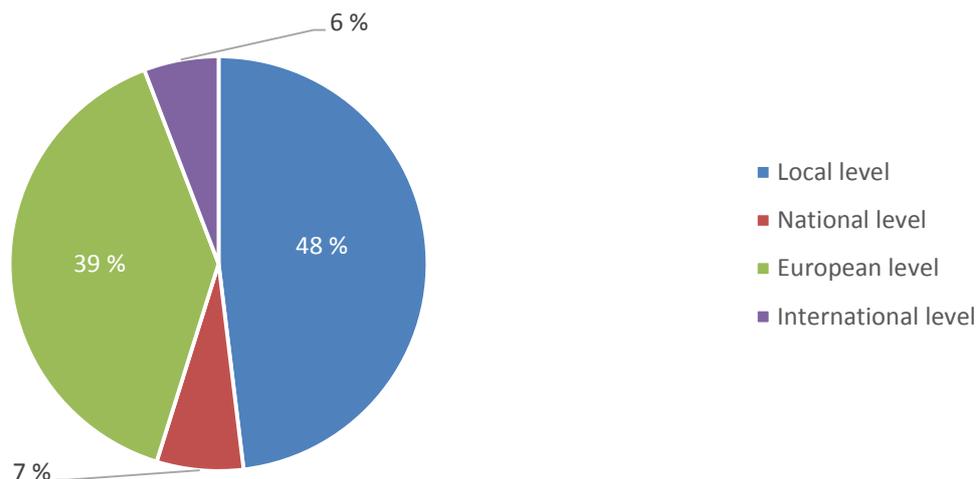
In terms of foundations' geographical focus it can be clearly seen that out of the total known expenditure on R&I, 48 % goes to beneficiaries on a local level, 39 % on beneficiaries on a European level, 7 % on beneficiaries on a national level and 5 % on institutions on an international level (see Figure 29). It should be noted that the large amount of research expenditure on a European level is only due to a handful of large foundations. Our interviews revealed that small foundations in particular stated that one reason they are only active on a national level is their rather small financial basis not allowing them to become active on an international level. As a representative of one small foundation said, 'well, I believe it is simply the financial scope of the foundation that makes international activities irrelevant.

### Expenditure according to geographical level

Geographical level	Amount in Euros
Local	15 185 955
National	2 118 543
European	12 447 685
International	1 827 742
Not allocated	1 945 001
<b>Total expenditure</b>	<b>33 524 926</b>

### Figure 29: Geographical focus of support

As a percentage of total (known) expenditure on research and/or innovation (N=38)



Among those foundations that are active in other EU countries, 67 % stated that they have not encountered difficulties in this area. 25 % indicated that they have encountered legal difficulties and another 25 % indicated that they have faced cultural problems. Furthermore, fiscal difficulties and problems with intellectual property rights were mentioned.

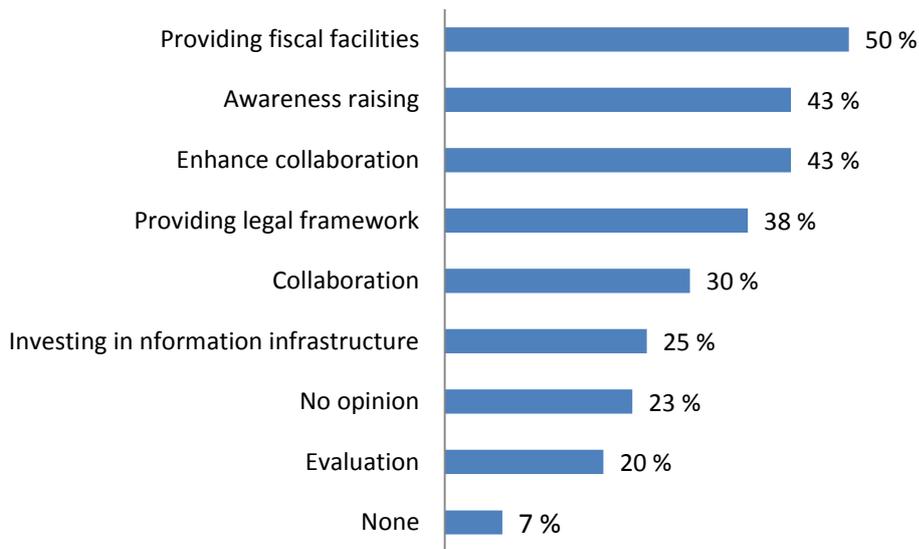
### The role of the European Union

Concerning the potential role of the European Union in relation to foundations, 50 % of the foundations agreed that an incentivising legal framework should be among the priorities of the EU. Other than that, the provision of a structure to enhance collaboration and to raise awareness for the specific context of foundations ranked second (43 % of the foundations mentioned these two factors). Other important issues concerned the establishment of a suitable legal framework (38 % of foundations), actual collaboration with foundations in projects (30 %), investment in information infrastructure (25 % of all foundations) and the evaluation of projects from foundations (20 %) (see Figure 30).

## Contributions to European integration

**Figure 30: Role of the European Union**

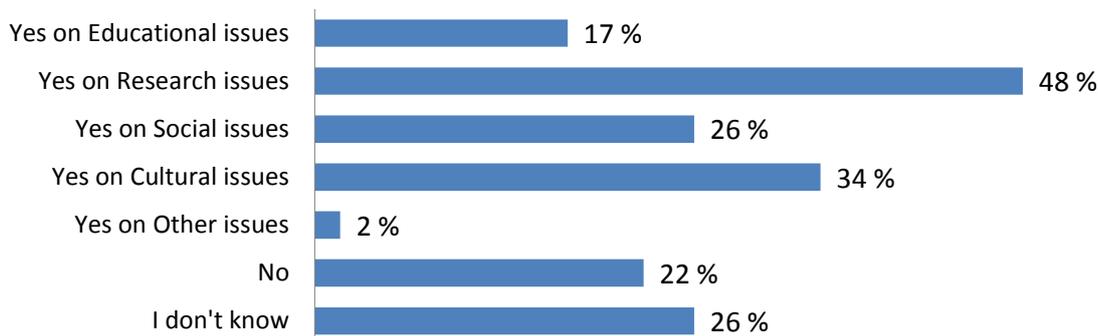
As a percentage of the total number of foundations, multiple answers possible (N=57)



Asked about their contributions to European integration, 48 % of the foundations stated that they contribute to research issues on a European level. Their contribution to the integration of cultural issues (34 %), to social issues (25 %) and to educational issues (18%) is also relevant. Interestingly, 26 % of all the foundations did not know what their contribution is, and another 22 % did not think that they contribute to European integration (see Figure 31).

**Figure 31: Contribution to European Integration**

As a percentage of the total number of foundations, multiple answers possible (N=58)



## 3.6 Foundations' operations and practices

### The management of foundations

Looking more closely at who defines annual strategy in foundations, it is evident that the governing board

is most frequently responsible for this. Approximately a half of these governing boards have appointed members, whereas one quarter has an elected governing board and (at least officially) only less than 10 % have the original founder decide on annual strategy. One interesting finding shows that in private foundations in particular the appointed board members are active, whereas in all the other types of foundation you find a mixture of appointed and elected governing boards.

As far as the number of members on the governing board is concerned, on average each governing board consists of a bit more than four people and in 50 % of all the cases the supervisory board has fewer than eight members. Referring to the interviews, our findings show that the composition of board members normally follows a specific pattern: the board often comprises people who are knowledgeable on the specific subject matter of the foundation, people who directly or indirectly represent the initial founder, plus one or two people who have good public standing in order to act as bridge builders with other important institutions, such as sponsors. Concerning the public standing of board members, one board member we interviewed stated: 'it is about the experience I have and personal contacts and networks. This is important in order to mobilise new partners for the foundations, both in terms of funds as well as collaboration, and I am very confident that we will reach this goal.' Moreover, our data indicate that only 30 % of all foundations have at least one paid staff member. On average, those organisations that have staff members employ seven people. Not surprisingly, we see a strong positive correlation between the number of staff members and the financial size of the foundations. In relation to the, small foundations in particular argue that they are not able to engage in more projects, simply because they do not have the workforce necessary to conduct more projects, or to offer different kinds of activities that are more labour-intensive. Consequently, one representative of a foundation active in the field of arts mentioned: 'we unfortunately only have two people working for the foundation, so we can only act on a very modest level. We would need more people, as there are so many different approaches and ideas in his artistic (n.b. the artist in whose name the foundations was set up) work.'

### **How do grantmaking foundations support research?**

Focusing on the specific practices of foundations, a couple of interesting patterns emerge (see Figure 32). Almost 80 % of all the foundations under analysis often or always demand evidence of how their grants have been spent. However, this evidence does not necessarily result in formal evaluations, as almost 28 % of the foundations rarely or never conduct evaluations to assess whether a grant was successful and why. Two explanations are given in the interviews for the paucity of these evaluations: on one hand foundations simply have difficulty in finding the appropriate indicators in order to evaluate their beneficiaries, and on the other hand one foundation stated that giving money is always combined with a thorough dialogue in the beginning, so that trust can function as a substitute for any evaluations.

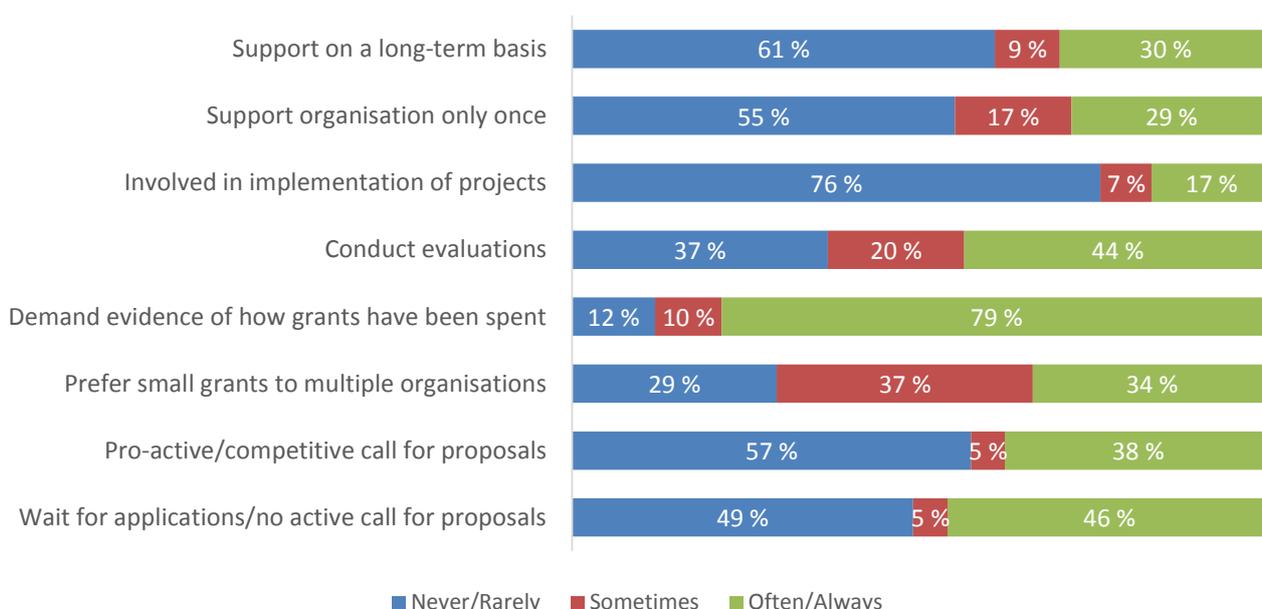
Furthermore, the results clearly show that the majority of foundations, namely 75 %, are never or only rarely involved in the implementation of projects. However, all interviewees stressed that they somehow want to offer support beyond only giving money, be it through consulting or offering them access to their own networks.

As far as the active call for proposals is concerned, there is no clear tendency. Half of the foundations choose an active approach for proposals, while the other half take a rather passive approach when accepting applications. Similarly, about 60 % of the foundations do not actively search for projects, while the remaining 40 % does (or at least sometimes). Another way for grantees to be identified is through word of mouth. For instance, one small foundation in the interviews stressed that they keep their Internet presence low and instead said that: “we are actually happy that only few people know about our homepage (...). We rely on word of mouth in this critical scene of people (...).”

Whether foundations support beneficiaries only once or at multiple times, is not clear. While 50 % offer them support on a regular basis at least sometimes (or more often), 50 % of the foundations rarely or never offer their support on multiple occasions. In terms of the amount per beneficiary, there is a tendency to give small amounts to a larger number of organisations. In terms of numbers, 70 % at least sometimes (or more often) prefer to give small amounts to a larger number of grantees instead of larger amounts to a smaller number of grantees. No consent exists among the foundations as to whether support should be given on a long-term or short-term basis. While 60 % of the respondents never or rarely give long-term support, 40 % of the foundations at least sometimes give their long-term support. Concerning long-term support, one foundation stressed the importance of giving over at least a three-year period, ‘so that the beneficiaries can plan.’

In terms of who is supported, one can see that foundations often or always (34 %), or at least sometimes (36 %), prefer to give grants to multiple organisations.

**Figure 32: Daily practices of grantmaking foundations**  
As a percentage of the total number of foundations (N=41)



### Engagement in partnerships

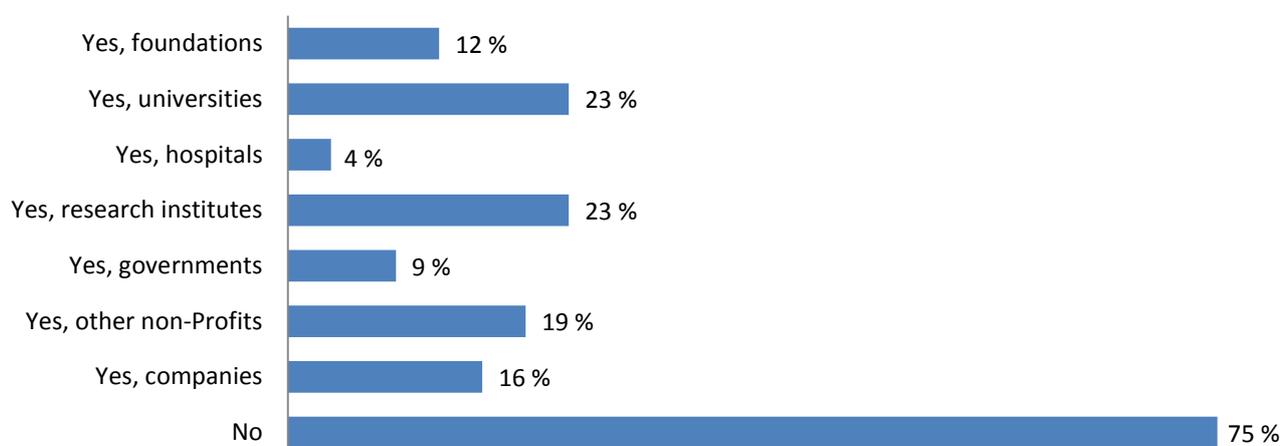
The majority of Austrian foundations active in research and innovation are not engaged in partnerships (75 %). The small size of foundations (in terms of their financial status) and the difficulty of finding well-

fitting cooperation partners with similar interests were both mentioned in the interviews as reasons as to why no cooperation had taken place. One small foundation, which had tried to build a cooperation with another founder in a similar field stated that: “he is only doing his own thing. He has no interest in cooperating.’ In another interview one foundation representative argued that: ‘the idea of forging a partnership with another foundation just never arose.’

Only a quarter of the interviewed foundations are active in partnerships. Among these, partnerships with universities, other research institutions, nonprofits or companies were most frequently mentioned. Partnerships with other foundations or the government are less common.

**Figure 33: Partnerships**

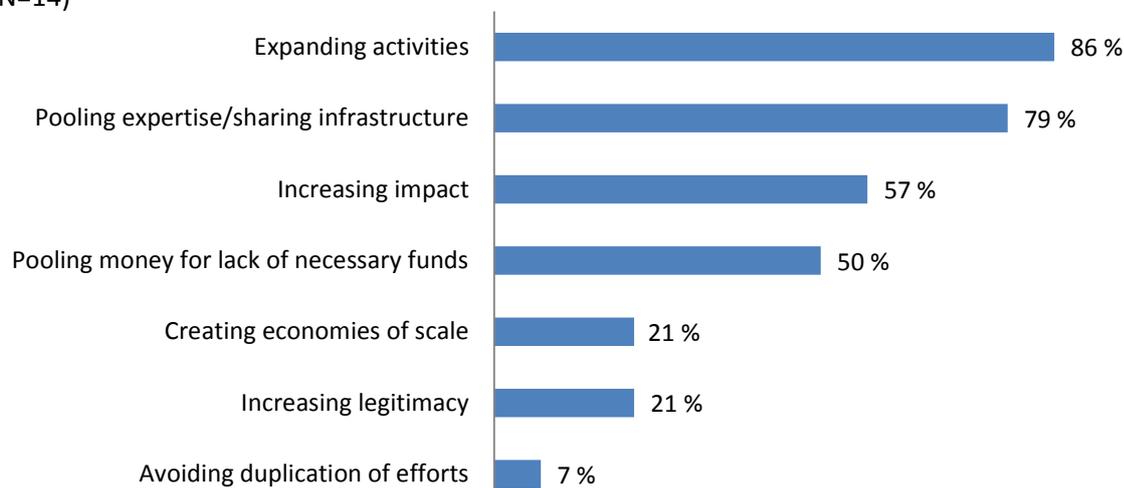
As a percentage of the total number of foundations, multiple answers possible (N=57)



Looking at the specific reasons that motivate foundations to forge ties with other organisations, the pooling of expertise, the expansion of own activities and pooling money due to lack of necessary funds are among the top three reasons why foundations establish partnerships (see figure 34).

**Figure 34: Motivation partnership**

As a percentage of the total number of foundations, multiple answers possible (N=14)

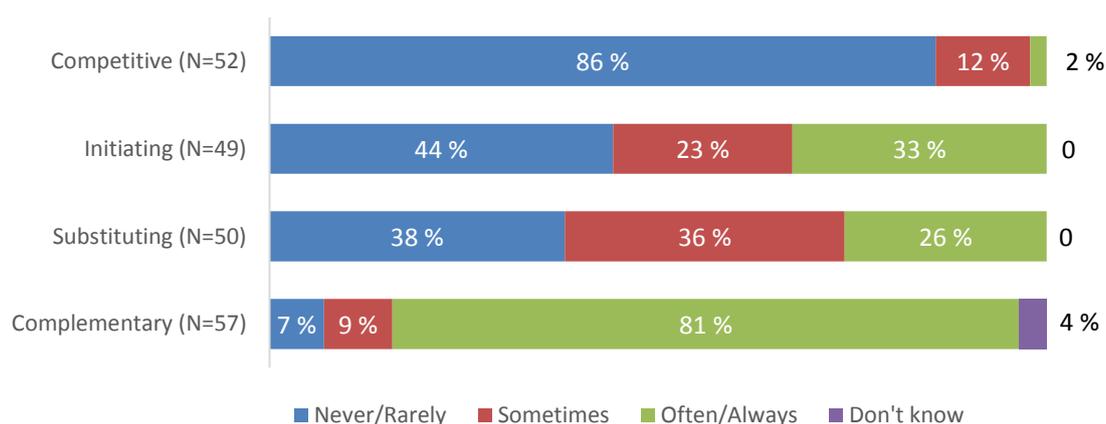


### 3.7 Roles and motivation

One interesting point which agrees with the results from previous studies about the roles of foundations within society (Simsa 2005) is the fact that 81 % of all the foundations often or always see their role as complementary to the State. At the same time, this does not lead them to see their role as exclusively complementary. Instead, only 38 % see their role as never or rarely substituting for State activities, while 26 % often or always substitute for State activities. This implies that foundations see their role as being more on the complementary side, although they sometimes substitute for State activities. Thus, there is no clear demarcation between their substitution for State activities and taking on a more complementary role. Foundations active in the fields of medical science, behavioural science and the humanities comparatively often stated that they at least sometimes substitute for State activities. On top of that, foundations are often associated with initiating new projects. Looking at the Austrian foundations in our sample, 44 % of all the foundations never or only rarely take on an initiating role, a quarter sometimes take on an initiating role, and 32 % often or always take on an initiating role. Moreover, our results indicate that only very few foundations aim to rival with other initiatives, and thus want to take on a more competitive role (see Figure 35).

**Figure 35: The role of foundations**

As a total percentage of foundations according to role



Our interviews support these findings. In all the interviews, the foundations stressed that they are mostly active in complementary fields. One foundation stated: ‘we have regulated in our statutes that we do not want to free the State from its responsibilities. We have thought about this a lot. Rather, we want to raise awareness for all kinds of deficits in our society.’ Additionally, the foundations also mentioned in all the interviews that due to the often relatively small amounts of money they have at their disposal each year, their impact is rather limited. However, as one foundation representative put it: ‘anything is better than doing nothing. (...) I do believe that we contribute to society in general, that we constitute an example, even if it is humble, and that we appreciate what is happening in universities.’ Another representative mentioned that in some instances they can act as an enabler or function as a lighthouse, also with the aim of sending a signal to other foundations to take action.

In terms of specific motivations for setting up a foundation in a legal format, a common point in all interviews was the general motivation of funding a specific purpose over a long period of time and 'to provide a stable and formal structure for our activities.' Content-wise, all the activities have a very close connection to the biographical or company background of the founder, be it in relation to the region, topic or beneficiary group. Beyond that, we saw a variety of different motivations, such as assuring that the work of a specific artist would be kept alive: 'also a museum could have got a collection of his work. But the idea was to show what is extraordinary in his work, in his theory (...) to put a focus on his specific work. Because otherwise, as we all know, some collections gather dust;' also to offer support for areas that are not popular and would not get funding otherwise, or the strong and trusting agreement between different stakeholders that prompt grantgiving: 'like most things in life the foundation has been a strong social connection with the deans or other leading people within universities.'

At the same time, the interviews showed that foundation law in combination with tax law was perceived as unfair and restrictive, a factor that they perceived as challenging and restrictive and gave reasons as to why there are only a few research foundations and public purpose foundations overall. On a more general level, the omnipresence of the State in financing research was also seen as a hindering factor. One foundation's spokesperson mentioned: 'I believe, that in Austria the old spirit still prevails, implying that all activities related to research should be financed by the State. This might be related to our history, but maybe also to the high level of income tax in Austria. These are topics that need to be dealt with if we want more private money invested in research and innovation.'

# 4 Innovative Examples

The quantitative survey comprised 20 entries from 10 foundations with respect to innovative projects that they supported or operated, representing a response rate of only 15 % for the 66 responding organisations. Even though the term ‘innovation’ was defined as ‘the introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects’ within the scope of this study, the range of interpretations was rather high. To highlight some of them, the following examples were mentioned:

- the development of a device to locate divers (comparable to an avalanche transceiver);
- legal counselling for migrants;
- care services for survivors of torture or war;
- recycling of energy storages such as batteries;
- technical improvements to wind power plants;
- summer university programs for children aged eight to twelve years;
- new methods of knowledge transfer in medical studies (case study-based teaching, interactive online learning tools).

There were also some rather unspecified entries occurred such as:

- monitoring and controlling partner organisations;
- testing software;
- diverse projects or supporting organisations in other countries with respect to the deeds of the foundation.

This picture was complemented by the interviews within the qualitative part of the study, where the introduction of a ‘Student of the Year Competition’ at an Austrian university was mentioned, or the general financial support of universities and research in general was subsumed as supporting innovation. Moreover, the support for book projects or exhibitions, or the implementation of an international award for social projects, were frequently argued as being innovative practices as opposed to the perception that these things have not existed before. One interviewee also said that: ‘innovation is overrated, as there are numerous things to do and support, even though they do not seem to be innovative.’ He concluded that if their activities are new and innovative, taking place, for instance, in a new geographical context, that would be fine. However, being innovative is not a goal per se for them.

Another interviewee stated that: ‘innovation, understood as the transfer of scientific knowledge into marketable products,’ is a part of their goal of pursuing scholarships or supporting children by arousing their interest in research in the context of programs for children at universities.

The latter can be regarded as an innovative example of a foundation's activity in the Austrian context aimed at stimulating the general public to be more involved in research and/or innovation, and is called 'Kinderuni Graz' <sup>[12]</sup> ('Children's university in the provincial capital of Styria, namely Graz). The goal of this initiative is to get children excited about science and is a collaboration of projects by several universities in Graz. Researchers and lecturers from these higher education institutions try to arouse the interest of children. The programs on offer, taking place in university venues, provide insights into the everyday life of students and faculty members and are complemented with workshops and lectures to provide children with different perspectives and the opportunity to experiment on their own. By this, they will be able to stimulate the scientific curiosity of their target group. The young students get a student ID, and by completing a certain number of workshops and lectures they can graduate from the program.

Another example found during the course of our research is an innovative system of Fellowship Programs that was established by the American Austrian Foundation (AAF). Their activities aim at 'bridging the knowledge gap by providing qualified individuals with fellowships to pursue postgraduate education in medicine, the media and the arts AAF's fellowship programs.' The AAF's largest program was founded in 1993 under the label of the Open Medical Institute and is comprised of various activities such as medical seminars, observerships, research observerships, satellite symposia, visiting professorships or for distance learning in medicine. All the activities together contribute to introducing the latest medical research in health care (e.g. treatment or diagnosis), especially for physicians from countries in transition, and improving health care delivery via an intended multiplier effect. The stated 'key to the program's success is the opportunity for fellows to return on an ongoing basis, and providing them with a network of faculty members and colleagues, whom they can consult with whenever the need arises. This allows them to access information, without leaving their countries, thus promoting brain gain and preventing brain drain <sup>[13]</sup>' These activities are embedded in an extensive international network of partners, promoters and funders from universities, foundations, NGOs and companies.

From an additional search beyond our study the following example was identified: the Zero Project, initiated by the Essl Foundation in 2010. A 'world without barriers' is the core mission of this initiative aiming at 'improving the lives of disabled persons as well as researching social indicators that measure the implementation of the UN Convention on the Rights of Persons with Disabilities (CRPD) and the current situation in all countries of the world.' <sup>[14]</sup>

The Zero Project is not only an example of a successful partnership of various international players such as nonprofit organisations, foundations, governmental bodies, companies and supranational organisations, but is also innovative with respect to enabling and fostering the development of the respective social indicators by establishing a network of around 2000 disability experts from more than 130 countries. Moreover, the initiative seeks out innovative practices as well as innovative policies from all around the world, which are then evaluated and presented to a wider public.

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12 <http://www.kinderunigraz.at/>

13 <http://www.aaf-online.org/index.php/about-us.html>

14 <http://zeroproject.org/about-us/mission-statement/>

In conclusion, the Austrian charitable foundation sector is rather heterogeneous in itself. R&I foundations are generally hard to identify; a more prominent example would be foundations supporting R&I among other areas and issues. In that respect, one interviewee put it quite vividly in stating that for him dealing with 'research is so to speak something that would be a sign or part of a maturity process in a foundation.' As his foundation deals mainly with social problems, these are at the top of their priorities. However, over time it might be the case that dealing with social issues would require underpinning these activities with relevant research, especially when the foundation plans to expand its activities. In that sense, and taking into account the underdeveloped charitable foundation sector in Austria, this would again contribute to an explanation why research does not yet play a prominent role within this sector.

# 5 Conclusions

## 5.1 Main conclusions

Overall, we can conclude that research and innovation activities are among the most popular reasons for funding by philanthropic foundations in Austria. However, this finding needs to be put into perspective in two ways. Firstly, our empirical data show that 40 % of the responding foundations stated research and innovation in their deeds, but are currently not active in this field. Secondly, our analysis demonstrates that the majority of Austrian foundations funding research and innovation are quite small, both in terms of expenditure and staff members. These results need to be interpreted against the backdrop of the Austrian legal framework for foundations, which in the case of private foundations has not been primarily designed for philanthropic purposes.

The small size of the average Austrian research and innovation foundation has a number of side effects: the smaller the foundations are, the fewer the partnerships with other organisations. Moreover, the more they are active only on a regional and national level, the fewer staff members they have. However, despite their small size, most foundations are convinced that their contribution to society is important, mostly on the level of engaging in activities complementary to the State and acting as beacons for other organisations.

Furthermore, our results show that out of the total income of the responding foundations, almost 70 % stems from government sources. This finding is of great relevance, as it highlights that foundations supporting R&I are often neither receiving nor providing private philanthropic money, but are rather an instrument for distributing government money, further confirming the important role of the public sector concerning R&I funding in Austria.

## 5.2 The strengths and weaknesses of the R&I foundation sector in Austria

When attempting to characterise Austrian foundations active in R&I, we are confronted with a relatively young sector (where the majority of foundations were established within the last three decades), which is rather dynamic and has the potential to grow, albeit from a generally low level. This is reflected both in the results of our quantitative survey, in which a quarter of the foundations stated that they want to increase their expenditure in the upcoming year, and in the interviews, in which the foundations actively spoke of their desire to grow and to find other organisations to cooperate with. Additionally, the foundations highlighted the stability that is inherent in foundations, allowing them to be active over a very long period of time. That they can maintain their stability is at least partly due to the conservative investment policies of most foundations in Austria. Overall, however, the potential within the foundation sector is huge; all the private foundations hold around EUR 99 billion in assets. So far this potential is mostly untapped with regard to philanthropic activities.

The fact that only a minority of foundations are active in terms of philanthropic purposes in general and R&I specifically, is (at least partly) due to the specific legal background. The small size of most foundations in Austria prevents them from becoming active on a larger scale. This goes hand-in-hand with the little communication between foundations and other potential cooperating partners. In fact, most foundations are not knowledgeable about other research and innovation foundations. Also, beyond R&I there is little networking taking place between charitable foundations in Austria, and up to now there are no umbrella organisations in place that could help these organisations come together. In fact, most foundations do not present their activities to the general public, and often do not even have a homepage, preventing them from acting as role models for other organisations. Hence, an identity for the philanthropic foundation sector is largely missing.

On an external level, we see a strong consensus that the small size of the Austrian charitable foundation sector is at least partly due to the rather complex, as well as discouraging, legal framework for foundations and the tax treatment that disadvantages foundations vis-à-vis other nonprofit legal entities. Private foundations, the predominant legal form for R&I foundations today, are a rather expensive vehicle. Given the small size of foundations, the minimum capital requirement of EUR 70 000, as well as the ongoing costs for operating a private foundation, do not seem to be attractive for private persons or nonprofit organisations to form a private foundation for their own charitable operations and activities. Requirements stemming from the Austrian Tax Code (BAO), forcing private foundations to act directly instead of being able to give financial contributions and enjoy tax privileges for their charitable actions, is limiting and hinders the potential of private foundations to be used as vehicles for charitable purposes. Moreover, the federal and provincial public benefit foundations are a rather outdated legal entity.

### 5.3 Recommendations

Taking into account the political rationale when introducing the law for private foundations and pointing to the number of foundations set up since 1994, it can be argued that this introduction has been a kind of success story, and its economic policy goals seem to have been achieved, as is often claimed by experts in the field. Over 3 000 private foundations were established within twenty years and an estimated EUR 100 billion in assets underlie this argument. However, as outlined in this report, the law for private foundations did not intend to foster private contributions for the public good. Furthermore, the existing philanthropic legal forms in the foundation sector did not gain any significant importance during this time period, neither as an instrument for private philanthropy, nor as an organisational form in the Austrian nonprofit sector.

The future of a respective charitable foundation sector and its potential impact on civil society in general and supporting research and innovation in particular will strongly depend on the political will and a respective legal framework aimed at fostering private contributions for societal issues. Additionally, the characteristics of the current legal forms will influence future development.

To be more specific and in line with the findings in the interviews we can formulate two interrelated recommendations with regard to the legal and tax regulations:

- The establishment of a specific legal status for foundations that encourages the pursuit of philanthropic purposes or reform of the current foundation laws, in order to create incentives for existing foundations to invest in philanthropic purposes. While Austrian Law provides two legal forms that are specifically tailored for philanthropic foundations, the so-called provincial and federal public benefit foundations, reform to the Private Foundation Law and the Austrian tax code with respect to incentives for philanthropic engagement seems advisable.
- Broader tax exemptions for foundations that give to philanthropic purposes, including exemptions from the Capital Gains Tax (KESt). This is especially relevant for grantmaking foundations, as under the current tax law these foundations have to pay Capital Gains Tax once they are not directly (but through other organisations) giving to philanthropic purposes.

Changes in the legal and tax regulations can be regarded as a time-sensitive issue. Currently, the first generation of founders (since the introduction of private foundations) is mostly still alive and directly or indirectly in a position to decide together on how the initially laid-down purposes are now put into action. However, the question remains as to how foundations will be governed once their original founders have passed away. As the board members are legally bound to the purpose(s) of the foundation it remains unclear whether the board is in a position to make similar entrepreneurial decisions. This also implies that if there are no charitable purposes laid down in the deeds of foundation the respective boards cannot make up for this later on. Changes in the legal and tax regulations could also act as incentives for a more philanthropic engagement among the existing foundations or future philanthropists and could function as a symbol that the State appreciates philanthropic engagement, which in turn could encourage the development of a respective philanthropic culture among Austrian citizens.

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Belgium Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Virginie Xhaufclair  
Amélie Mernier  
Johan Wets  
Caroline Gijssels

Research and  
innovation



# **Belgium Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 Historical background

In 2013, Belgian citizens gave about EUR 550 million in monetary donations to third-sector organisations (Defeyt 2014). Between 2005 and 2010, on average, 10 % of Belgian fiscal declarations mentioned a donation, with an average amount of EUR 201 per fiscal declaration (Dal Fior et al. 2013). However, although charitable giving has always been part of Belgian citizens' life, Belgium cannot be said to have a philanthropic tradition.

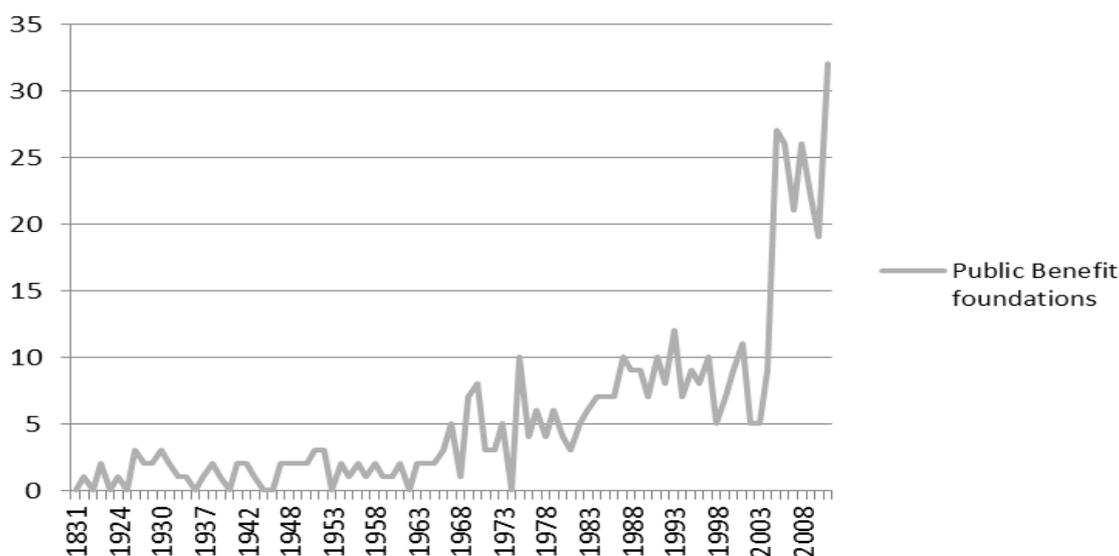
For a long time in Belgium, a country of Roman Catholic tradition, the public authorities were considered to have the only real democratic legitimacy, and the State was regarded as being responsible for being in charge of general interest missions. The traditional model of civil society was based on the State on the one hand, and on the Church on the other hand. Therefore, there was not much room left for an independent civil society between the State and the Church. Private initiatives for the common good were largely the result of the voluntary sector, often close to the Christian Social Party, which has been for a long time the dominant party in Flanders (CVP), and which was in the past more powerful than today in the French-speaking part of Belgium. The pillar of the lay Belgian community, with a very dominant Socialist Party in Wallonia, favoured public authority initiatives. In this context, there was no unanimous recognition of a third pluralistic sector where foundations would have had a clear and non-partisan place. Anheier (2001) considered the Belgian foundation sector to be a State-centred model, including a close supervision of foundations by the State.

The foundation sector in Belgium has been growing during the last decade with, among others, the impetus of a new law on foundations, which came into force in 2003. <sup>[1]</sup> As Figure 1 shows, the number of public benefit foundations created per year showed a fairly constant and low growth until the 1970s. In 1975, there was a peak and the number of public benefit foundations created each year increased. Heuschen (2003) explains this peak, among other reasons, by the creation of the King Baudouin Foundation in 1975, which promoted the status of foundations, and also the more available statistics at the Ministry of Justice. The highest peaks corresponds to the coming into force of the 2 May 2002 Law in 2003.

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1 2 May 2002, published in the Moniteur Belge on 11 December 2002.

**Figure 1: Evolution of the number of public benefit foundations created each year among the foundations existing at the end of 2011.**



Source: Mernier (2013)

The 2002 Law on foundations introduces a new type of legal status, i.e. the private foundation, and the existing status of the public-benefit foundation is clarified. The term 'private' in the new Law refers to the private objectives of this type of foundation, while both statutes are still private as regards the founder. Nevertheless, one feature of this Belgian Law allows a hybrid model: a private foundation acting in the public interest (Gijssels, 2008). At the end of 2011, 488 foundations with public-benefit status had been registered, as well as 725 foundations with private status. The total of assets held by the 15 biggest public-benefit foundations reached EUR 1 billion. In addition, more than 200 active funds were hosted within the King Baudouin Foundation.

Most Belgian foundations are created by individuals (Gijssels and Develtere 2006) and are mixed foundations (combining operating and grantmaking activities).

During the last decade, some studies have been carried out. In 2004, Develtere, Van Ootegem and Raymaekers were the first to map the Belgian sector of public interest foundations within the framework of a large survey of foundations in Europe which was set up under the commission of the Task Force of the European Foundation Centre. Two years later, trends and evolutions in the foundation sector in Belgium were mapped out by Gijssels and Develtere (2006) in *Foundations in Motion*. Foundations are not included as such in general socio-economic statistics, and no comprehensive public record of their assets, expenditure or activities is available. Gijssels and Develtere (2006) state that so far no government agency or department and no co-ordination or apex body from the sector has been charged with documenting the sector. In addition, academia has not been very interested in the sector either. Information on the Belgian foundation sector is thus very scarce.

The Belgian sector is characterised by a high level of heterogeneity, whether in terms of mission, assets or employees. The sector remains fairly unknown, and is still in its institutionalisation phase, with promo-

tion activities and restructuring operations carried out by the King Baudouin Foundation and the Belgian Network of Foundations. Ongoing Research by the University of Liège will shed more light on these issues. A study carried out by the Baillet Latour Chair in Philanthropy and Social Investment <sup>[2]</sup> at the University of Liège will lead to a database which will meet the shortcomings and will at least partly fill the gaps (Mernier and Xhaufclair 2014b).

## 1.2 The legal and fiscal framework <sup>[3]</sup>

The definition by the European Foundation Centre (2005) is the one generally accepted in Belgium (Develtere, 2004) for public benefit foundations: ‘foundations are separately-constituted nonprofit bodies with their own reliable source of income, usually but not exclusively from an endowment or capital, have their own governing board and use their financial resources for educational, health-related, social, research-oriented, cultural or other public benefit purposes either by making grants to third parties or operating their own programmes and projects’.

### 1.2.1 Legal framework

The freedom of association has its origins in the 27 June 27 1921 Law on nonprofit organisations and foundations in Belgium (‘Loi sur les associations sans but lucratif, les associations internationales sans but lucratif et les fondations’. 27 June 1921). More than ten years ago, the Law of 27 June 1921, already more than 80 years old, which granted a legal personality to nonprofit organisations<sup>[4]</sup> and public utility institutions was amended by the Law of 2 May 2002 (‘Loi sur les associations sans but lucratif, les associations internationales sans but lucratif et les fondations’ 2 May 2002), coming into force on 1 July 2003. Different reasons motivated this evolution of the legal framework, among others were its content being contrary to European legislation and the semantic confusion associated with the term ‘foundation’ (Heuschen (2003). The 2 May 2002 Law granted a personality to nonprofit organisations, international nonprofit organisations and foundations. Gijssels and Develtere (2006) identified this evolution of the legal framework as a pivotal moment in the Belgian foundation sectors.

According to the 2 May 2002 Law, a foundation is a legal structure to which the founder brings money/ heritage (the minimum amount or the nature of the funds are not set by law) in order to realise a disinterested predefined purpose. A foundation cannot give any material gain to the founders, the administrator or other person (unless it is a disinterested goal). The founder can be one or more natural person or legal entity (public authorities, enterprises or associations). The constitution of a foundation is set up by a deed when the founder is alive ,or according to a will in the case of the founder’s death. To be recognised as a public utility foundation, an organisation has to follow one of the seven following objectives: philanthropic, religious, scientific, artistic, pedagogic, cultural and philosophical. A public utility foundation is recognised by royal decree after approval by the Ministry of Justice. A private foundation can pursue a private goal and/or a public interest goal. The objectives of purely private foundations are, for example,

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2 [www.chaire-philanthropie.be](http://www.chaire-philanthropie.be)

3 This section is based on Gijssels & Develtere (2006).

4 Association sans but lucratif (ASBL) in French; vereniging zonder winstoogmerk (VZW) in Dutch.

to maintain a familial heritage (via securities certification) or to ensure the care of a disabled child. Private foundations are also allowed as a legal form for trust offices to certify shares.

Heuschen (2003) presents five major differences resulting from this 2002 amendment: denomination change, additional objectives, protection of the 'foundation' appellation, introduction of the private foundations status and the division of the foundation sector into three types according to the size of the foundations. One of the objectives of this Law was to achieve greater transparency (Gijssels and Develtere 2006) from a legal and accountable point of view. Furthermore, this amendment also supports the development of a stronger identity of the foundation sector compared to nonprofit organisations.

First, before the 2002 Law, a foundation was identified under the appellation 'Public Utility Establishment'. The latter term becomes 'Public Benefit Foundation' specifically in order to avoid any confusion with 'Public Establishment'.

Second, the amendment also extended the list of goals that a foundation has to reach to be recognised as a public utility foundation by the Ministry of Justice. Cultural and philosophical goals were added to the five existing goals: philanthropic, religious, scientific, artistic and pedagogic.

The third change brought about by the new Law was the protection of the 'foundation' denomination. The aim was to clarify the distinction between foundations and other public interest establishments or nonprofit organisations. The latter could indeed use the 'foundation' label to benefit from the related reputation without any legal entanglements. Only organisations with the legal status of a foundation in the sense of the 2 May 2002 Law are authorised to include the term 'foundation' in their name. Nevertheless, as Heuschen (2003) notes, the coercive capacity of this measure could be doubted.

Finally, the last amendment Heuschen mentions is the division of the foundation sector regarding the size of the foundations: small foundations, big foundations and very big foundations. The criteria used are the number of employees, total assets and annual revenue. To be considered as being 'very big', a foundation has to have more than 100 full-time or equivalents members of staff on average, or to fulfill one or more of the three following criteria: 50 full-time members of staff, EUR 6 250 000 annual revenue or EUR 3 125 000 total assets. A 'big' foundation is a foundation that does not meet the criteria of the 'very big' foundations and which comprises one or more of the three following elements: 5 full-time members of staff, EUR 250 000 annual revenue or EUR 1 000 000 total assets. Finally, 'small' foundations are those that do not fulfil the 'very big' or 'big' conditions.

This division according to foundation size corresponds to specific accountability requirements: very big and big private foundations have to deposit their annual accounts at the National Bank of Belgium, Centrale des Bilans, whereas small private foundations have to deposit their annual accounts with the clerk of their corresponding court office. As far as public benefit foundations are concerned, they all have to deposit their annual accounts with the clerk of their corresponding court office, whatever their size. Nevertheless, most of the biggest public benefit foundations already deposit their annual accounts at the National Bank of Belgium, even if they are not required to do so. In addition, only 'large' foundations are required by law to appoint an auditor to monitor their financial situation and their annual accounts.

## 1.2.2 Fiscal framework

In Belgium, foundations enjoy an advantageous tax system through which they are subsidised by the government.

Two levels of tax benefits can be distinguished in the life of a foundation: at the level of the foundation's capital and at the level of the donations and bequests given to the foundation. At the level of the foundation itself, the tax regime applied is the limited tax system of a legal person (Article 220 of the income tax code). As a nonprofit organisation, a private foundation has to pay an annual tax of 0.17 % on its patrimony, while a public utility foundation is exempt from paying this tax, as are private foundations which certify corporation securities. In addition to its initial capital, a foundation can receive money from two main different sources: a gift or a bequest. The corresponding tax treatment differs according to the foundation type, the money's source and the donor's place of residence of (see Table 1).

Donations to foundations are encouraged as they are tax-deductible. Donors can receive a tax certificate if their donation is EUR 40 or more and if the foundation has applied to the Ministry of Justice for permission to issue tax certificates for donations. <sup>[5]</sup>

**Table 1: The fiscal regime of foundations in Belgium**

Legal status	Source	Wallonia	Brussels	Flanders
Public benefit foundation	Gift	7 %	6.6 %	5.5 %
	Bequest	7 %	6.6 %	8.5 %
Private foundation	Gift	7 %	7 %	5.5 %
	Bequest	7 %	12.5 % or 25 % <sup>[6]</sup>	8.5 %

Source: Mernier (2013)

## 1.3 The foundation landscape

### 1.3.1 Foundations in Belgium

Today, apart from the Kruispuntbank van Ondernemingen/Banque Carrefour des Entreprises (BCE), which lists all the legal status of companies, there is no centralised database on the foundation sector at a national level, so several data sources have to be combined to present an overview of this sector in Belgium. If the Ministry of Justice provides the list of the public benefit foundations, the data corresponding to the private foundations, the accounting data and the employment data for both types of foundation should

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5 Natural persons were not allowed to deduct more than 10 % of their net taxable income or EUR 353 000 for the fiscal year 2012 (this amount is indexed annually). The tax benefit was 45 % of the value of the gift, which means that the net value paid out of pocket was 55 %. (EFC / TGE, 2014). For private companies the equivalent amounts are 5 % of the net taxable income or EUR 500 000 (this amount is not indexed). The foundation must deliver a quittance to the donors, and either a copy of the tax certificates issued or a summary list or certificate to the competent documentation centre of the Administration of Corporate and Income Tax (Gijssels and Develtere 2006).

6 25% if the foundation do not have any fiscal agreement.

be collected from other agencies such as the National Bank of Belgium (NBB/BNB) and the National Social Security Office (RSZ/ONSS).

At the end of 2011, 725 private foundations were listed along with 488 public benefit foundations. More precisely, all the organisations still existing in 2011 have been looked at; this means that foundations created before 2011 but also dissolved before 2011 were not included. The foundation sector in Belgium is clearly growing, as in 2011 the number of public benefit foundations had increased from 310 (Anheier 2001) to 488, representing a growth of 57 %. Furthermore, as population of Belgium on 1 January 2012 was 11 035 94 <sup>[7]</sup>, the number of public benefit foundations per 100.000 inhabitants at the end of 2011 was 4.4, compared with 3 foundations per 100 000 inhabitants in 2001 (Anheier 2001). The average age of a public benefit foundation in Belgium is years.

Half of the private foundations are located in Flanders and only 16 % of them are located in Wallonia. For public benefit foundations the division is different, as more than half of the public benefit foundations are located in Brussels. In 1999, Marée and Mousny (2001) calculated a proportion of 52 % of public benefit foundations as being located in Brussels. Interestingly, in more than 15 years, the concentration of public benefit foundations in Brussels has remained the same. Heuschen (2003) also reached the same conclusion of a higher concentration of public benefit foundations in Brussels, and argued that this was mainly due to the fact that Brussels is the capital of Belgium, as well as the capital of the European Union.

**Table 2: Division of the number of the public benefit and private foundations across the three regions in Belgium per 100 000 inhabitants at the end of 2011.**

Legal status	Brussels	Flanders	Wallonia	Belgium
Public benefit foundations	23.4	1.6	3.4	4.4
Private foundations	21.8	5.7	3.1	6.5

Source: Mernier (2013)

Table 2 shows that in the regions of Brussels and Wallonia, the number of private foundations and public benefit foundations per 100 000 inhabitants is quite close, as opposed to Flanders, where the number of private foundations registered per 100 000 inhabitants is more than three times higher than the number of public benefit foundations. The high number of private foundations in Flanders corresponds to the idea developed by Heuschen (2003), for whom the demand for a legal vehicle as private foundations would come from the Flemish's employers circles in order to facilitate the familial enterprises transmission. If we analyse Table 2 horizontally, Wallonia presents a higher number of public benefit foundations per 100 000 inhabitants than Flanders, while Brussels exceeds the two other regions with 23.4 public utility foundations per 100 000 inhabitants.

7 Source : [http://statbel.fgov.be/fr/modules/publications/statistiques/population/population\\_-\\_chiffres\\_population\\_2010\\_-\\_2012.jsp](http://statbel.fgov.be/fr/modules/publications/statistiques/population/population_-_chiffres_population_2010_-_2012.jsp)

Created in 2004, the Belgian Network of Foundations (<http://www.reseaufondations.be/>) unites more than 80 foundations active in Belgium in a wide variety of areas. The network has public utility foundations, private foundations and foreign foundations as members. It aims to create the right conditions in order to make philanthropy and the foundation sector flourish in Belgium. To do this, the network makes working groups accessible to its members. There are working groups entitled 'Governance', 'Legal issues of foundations' and 'Finance, accounting and insurance'.

### 1.3.2 Focus on the research and innovation foundations

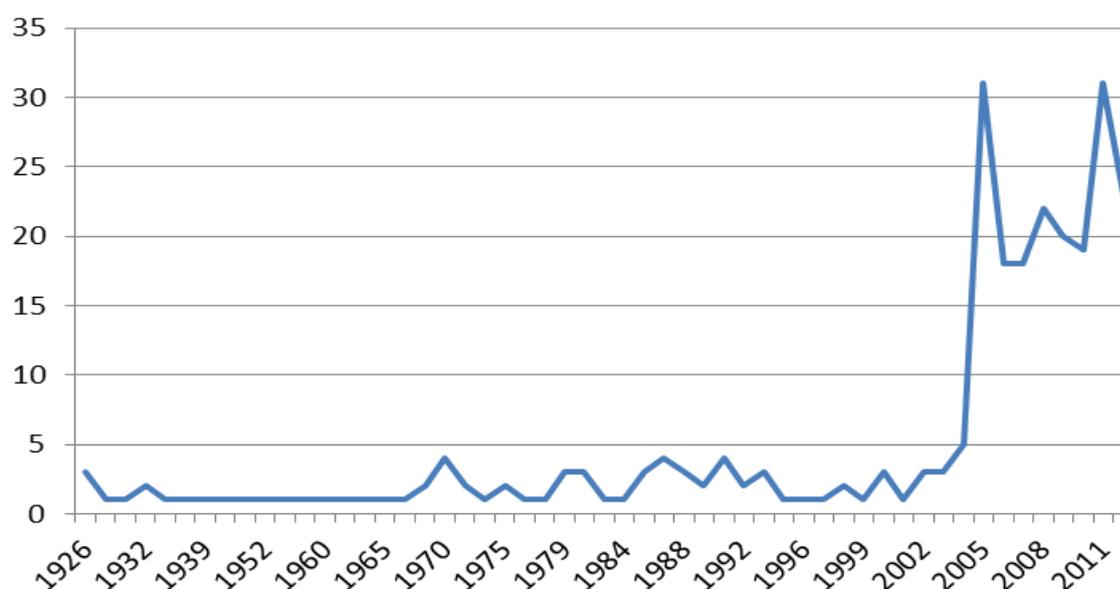
In Belgium, as much as in other countries, foundations see themselves as major catalysts of modern philanthropy and innovation in the country. They mobilise and generate resources for a variety of public goods. They give preference to certain domains in society that create images of the future (for example, arts and culture or social science) but that are also vectors of social change (for example, voluntarism, civil society). This choice of philanthropy and innovation is also reflected in the types of support the foundations use. Develtere et al. (2004) reported that 5 % of expenditure goes on research. Gijssels and Develtere (2006) reported 10 %.

Based on the mission statement given in the articles published in the 'The Belgian Bulletin of Acts, Orders and Degrees' <sup>[8]</sup>, it is possible to make an initial identification of R&I foundations out of the existing foundations. An estimation of 265 R&I foundations was made at the end of 2012; this corresponded to 25 % of the 1 036 public-benefit foundations listed on the same date. Out of these 265 R&I foundations, half of them had the legal status of a public-benefit foundation, and the other half the legal status of a private foundation. These R&I foundations are predominantly based in Brussels (47 %), while 36 % are located in Flanders and 17 % in Wallonia. The R&I Belgian foundations were mainly created during the last decade, as shown in Figure 2. Half of the existing R&I foundations at the end of 2012 had been created after 2006. As mentioned previously, in 2002 there was a crucial change in legislation, and the creation of the new legal status of private foundation probably contributed to this growing trend.

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8 The Belgian Bulletin of Acts, Orders and Degrees is an official publication of the Belgian State listing all Belgian Laws, Royal Decrees, Decrees, the establishment of associations, and so on. It is called Het Belgisch Staatsblad (Dutch), Le Moniteur Belge (French) or Das Belgisches Staatsblatt (German).

**Figure 2: Evolution of the number of R&I foundations created each year up to (31 December 2012)**



Source: Mernier And Xhaufclair (2014B)

For 66 % of the R&I foundations, it was possible to identify the type of R&I based on the mission statement; out of them almost half of the foundations supported research (30 % applied research and 16 % fundamental research), as shown in Table 3 below.

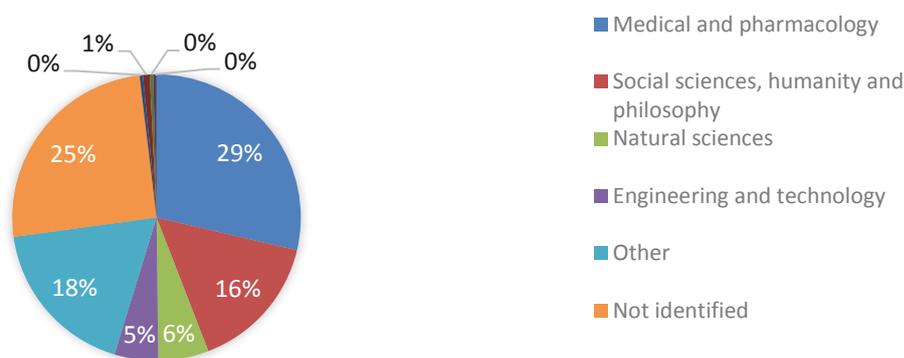
**Table 3: R&I foundations according to type**

Type	Number	%
Applied research	79	30 %
Dissemination of research	8	3 %
Education	13	5 %
Fundamental research	43	16 %
Innovation	17	6 %
Knowledge transfer	14	5 %
Not identified	91	34 %
<b>Total</b>	<b>265</b>	<b>100 %</b>

Source: Mernier And Xhaufclair (2014B)

The areas of activity of the R&I foundations are shown in Figure 3. Based on the mission statement, we managed to classify 75 % of our sample in 6 areas of activity. Almost one third of the R&I foundations are active in medicine and pharmacology, 15 % in social science, the humanities and philosophy, and 5 % in engineering and technology. [Figure 3](#)

**Figure 3: Activity domains of R&I foundations (31 December 2012)**



Source: Mernier And Xhaufclair (2014B)

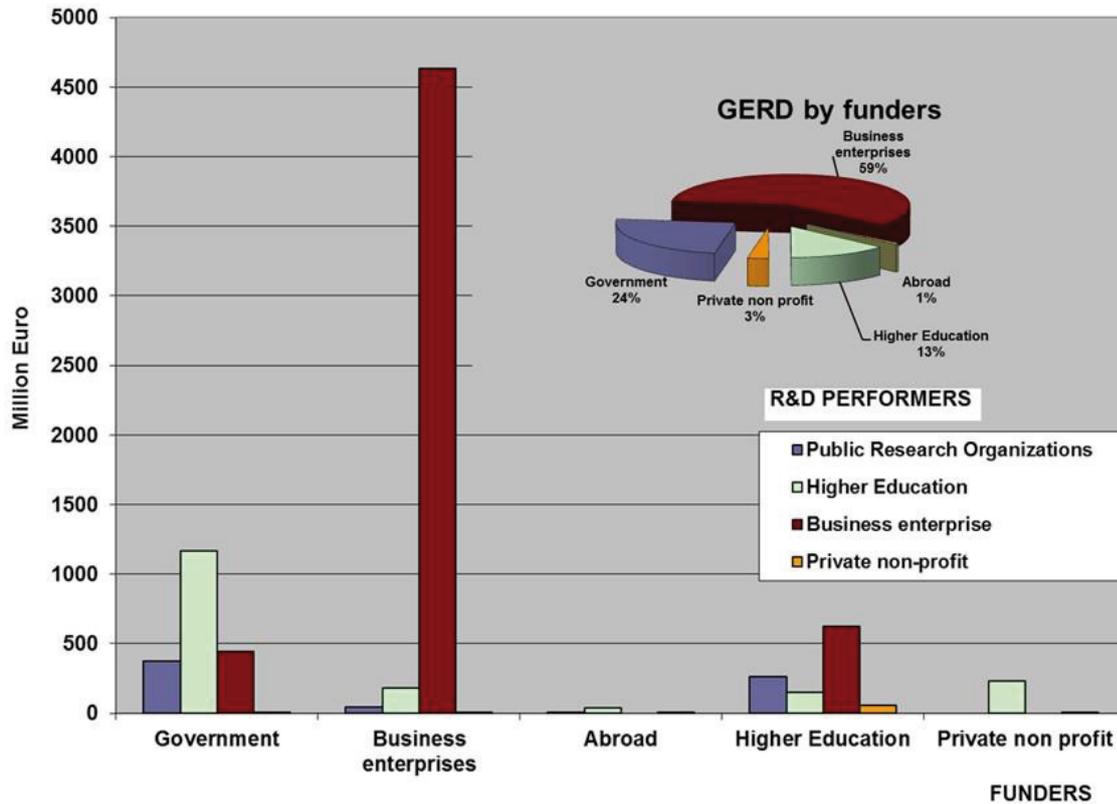
Most of the R&I foundations are active within the European Union (90 %), only 4 % are active outside the EU, while 3 % have a range in Europe and beyond.

## 1.4 Research/innovation funding in Belgium

There is a general consensus in Belgium about the critical importance of fostering the innovation-based competitiveness of Belgian businesses. This has been reflected by all political entities in the development of sophisticated and comprehensive policy reviews at national and regional levels, as well as in significant budgetary efforts in favour of R&D on the part of all political entities, especially between 2005 and 2009. The latest final figures for research and development (dating from January 2014) indicate that Belgium in 2012 invested 2.24 % of its GDP in R&D. This is a historical record for the country and a trend that is in line with the EU target of 3 % for 2020.

The various different funding systems in Belgium cannot easily be captured in one figure. The diagram below (source Eurostat) depicts the overall picture for Belgium in 2012. R&D funding in Belgium flows indeed through the various governmental and non-governmental bodies at the federal, regional and community levels, to reach public and private R&D agencies. All State entities independently determine their R&D spending and thus, the federal, Walloon, Wallonia-Brussels Federation, Brussels-Capital and Flemish governments all define their own funding system according to their unique needs and rules.

Figure 4: The Belgian funding landscape



Source: EUROSTAT, 2012

The Federal Government funds research programmes of national interest, the largest one being space research. In addition, R&D tax deduction schemes (for example, R&D tax credits) and exemptions on the advanced payment of wages for researchers have also been developed and administered at a federal level.

The different regions fund their specific policies through their own agencies. The Walloon Region and the French Community are two separate entities, thus causing a split between scientific and fundamental research policy on the one hand, and applied and industrial research on the other. The former is governed by the Ministry of the Wallonia-Brussels Federation, with the main fund being F.R.S-FNRS, and the latter by the Walloon government, with DGO6 as the key funding agency. In the Walloon Region the focus has been on supporting a limited number of competitiveness poles (a cluster approach).

The Flemish R&D system is governed by the Department of the Economy, and Science and Innovation (EWI). The government directly funds the HEIs, both for research and education (see the Section on Research Funders). Apart from basic funding, the main additional funding source for HEI research is allocated via FWO-Vlaanderen. The key funding agency for innovation is IWT. In 2007, The Hercules Foundation was set up to provide funding for large research infrastructures. The presence of some large multinational companies in Flanders has boosted the private funding of R&D; however, the amount of private R&D is decreasing. In the Flemish Region, the willingness to address through innovation some specific societal challenges is the main driver of research and innovation policy.

Brussels-Capital's R&D policy is governed by the Ministry of the Brussels-Capital Region, and the main funding body is INNOVIRIS. In the Brussels Capital Region, an updated innovation strategy including a 'smart specialisation' approach was launched in 2012 (Research and Innovation, 2013).

On the Innovation Union Scoreboard 2013, Belgium is considered, together with Austria (AT), Cyprus (CY), Estonia (EE), France (FR), Ireland (IE), Luxembourg (LU), the Netherlands (NL), Slovenia (SI) and the United Kingdom (UK) as 'Innovation followers', with innovation performance above or close to that of the EU average.

The Belgian country profile of the Research and Innovation project (2013) describes the country as having a 'very high quality research system, as reflected by its third highest score among all EU Member States on the S&T Excellence index. Belgium has been able to exploit this strength to its economic advantage in several sectors. A particularly good performance is visible in the bio-pharmaceutical sector, where high scientific quality, business investment, product innovation and trade performance reinforce each other. Moreover, several service sectors, such as computer-related and other business services, strongly contribute in Belgium to a structural change towards a more knowledge-intensive economy, notably through the growth of innovative firms' (Research and Innovation, 2013).

However, the report states, despite these very positive sectoral dynamics, Belgian R&D intensity stagnated during the period 2000–2011, and there was even a decline in business expenditure on R&D, especially between 2001 and 2005. This is due to a de-industrialisation trend, which has notably affected several high-tech and medium-high-tech manufacturing sectors. This de-industrialisation trend has been accompanied by a rapid deterioration of the Belgian trade balance since 2002, showing that the strengths of the services and of the bio-pharmaceutical sectors cannot alone support Belgium's competitiveness (Research and Innovation, 2013).

In the survey carried out in 2004 by Develtere et al., almost one out of five of the responding foundations (19 %) were identified as government-connected foundations which were established to look after public goods such as education, art or energy. This is also the way the 'Fonds voor Wetenschappelijk Onderzoek' (the Flemish FWO) and the 'Fonds de la Recherche Scientifique' (the Walloon FNRS) operate.

### **1.4.1 Focus on three pivotal organisations for R&D funding in Belgium**

The FWO and FNRS are two crucial tools for funding R&I in Belgium. Their main task is to stimulate scientific development. The means to achieve this is to finance top scientists and research projects after an inter-university competition and an evaluation by foreign experts.

The F.R.S.-FNRS was established in 1928 on the initiative of King Albert I as an Institution of Public Interest to promote scientific research in Belgium as a whole. The organisation was initially privately funded, but after WWII it was partly subsidised by the Government within the scope of funding universities. In 1988, its funding was mainly taken over by the Cultural Communities. In 1992 the Fund took on a confederal structure. The changes due to the transformation of Belgium to a Federal State were integrated into the

structure of FNRS, and today it is devoted to the development of research in the French-speaking Community of Belgium (despite 'national' being in its name). The FWO, 'Fonds voor Wetenschappelijk Onderzoek – Vlaanderen' (FWO) or Research Foundation – Flanders, is the Flemish-speaking continuation of the National Fund for Scientific Research (NFSR). The FWO became a separate Public Utility Foundation by Royal Decree on 20 January 2006.

The FWO is administered by a Board of Trustees, which consists of representatives from Flemish universities and research organisations, private R&D performers, representatives from the Flemish administration and Ministries, and the Flemish socio-economic arena.

The FNRS is run by a Board comprising the rectors from Belgian French-speaking universities and the permanent secretaries from various scientific academies.

The resources of the Funds are still provided by local governments (Flanders and Wallonia, respectively).

The Federal Government also subsidises a part and provides additional resources through their exemption from advanced tax payment and social security contributions. The National Lottery also contributes, as do individuals and private organisations.

For instance, as far as the FNRS is concerned, funds come mainly from the French Community (approximately 63 %), the federal authorities (approximately 23 %), the regional authorities (approximately 3 %), but also from private donations and the TELEVIE operation. The FNRS 2010 budget was EUR 153 million.

The Research Foundation FWO has a budget of EUR 191 million (2010) from the following sources:

- The Flemish Government, including grants for large infrastructure, international mobility and humanitarian actions, accounting for 72 % (EUR 137 million) and a special grant of 6 % from the National Lottery (EUR 12 million).
- The Federal Government sources funding from science policy (4 % – EUR 8 million); social security and health (1 % – EUR 2 million) and economic affairs and energy (1 % – EUR 2 million)

About 16 % of the budget is generated by a number of Belgian fiscal and parafiscal measures.

The King Baudouin Foundation, created in 1975 to commemorate 25 years of King Baudouin's reign, is another major philanthropic player in Belgium, having a crucial role in R&D support. In terms of assets, the King Baudouin Foundation is the biggest foundation in Belgium. Furthermore, it has always played an innovative and active role in the foundation sector in Belgium. The King Baudouin Foundation is also part of the European Foundation Centre and was at the origin, with 6 other organisations, in 2004 of the creation of the Belgian Foundation Network.

In addition to its direct philanthropic activities as a public benefit foundation, the King Baudouin Foundation hosts funds. These funds represent an growing part of the sector in terms of numbers and assets.

They are managed by the King Baudouin Foundation on behalf of the founder during her/his lifetime of after her/his death. The King Baudouin Foundation hosts three types of funds: name specific funds, specific funds and corporate funds; they can be with or without capital. Since 1990, the number of funds hosted by the King Baudouin foundation increased and reached a total of 451 funds at the end of 2011, of which 272 funds were considered active at the end of 2011.

### 1.4.2 An example of cancer research funding in Belgium

An interesting example of the respective R&D contributions of funding players in Belgium can be seen in the cancer research field. Table 4 below shows the expenses of both public and private funding organisations (note that FWO and FNRS are considered public funding organisations, as these are mostly funded by public authorities). In total, about EUR 94 million was dedicated to cancer research, of which 18 % came from philanthropic sources.

**Table 4: Belgian funding players**

<b>Public authorities funding (2012)</b>		<b>Philanthropic funding (2012)</b>	
National Plan against cancer	25 000 000 €	Televie	8 000 000 €
Belspo	2 000 000	Fondation contre le cancer	6 500 000
IWT	5 769 509	Universities	4 100 000
FWO	5 000 000	Vlaamse Liga tegen Kanker	1 500 000
BOF	7 000 000	FRB	467 500
VIB	5 800 000	Fournier-Majoie	542 857
FNRS	10 721 000		
BIOWIN	7 000 000		
WELBIO	2 100 000		
EU	2 640 082		

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

The main source of information on Belgian R&I foundations was the Belgian Bulletin of Acts, Orders and Decrees. The foundations were chosen based on a selection of foundations in this Belgian Bulletin. The Bulletin contains information on foundations such as contact information, legal form, but also their goals, which allowed the pre-selection of foundations possibly involved in R&I activities. As Belgian is officially a bilingual country (even trilingual, but the German-speaking community is small compared to the others), invitation letters were sent out in Dutch and in French: 223 foundations received a letter in Dutch and 418 foundations received a letter in French. As the information provided in the Bulletin does not always give correct information on whether or not these foundations are active in the field of research and innovation, they were asked to what degree they were involved in R&I activities. Ninety-two (92) foundations received a letter and questionnaire in Dutch and thirty-three (33) foundations received an invitation letter and questionnaire in French.

## 2.2 The survey

In total, 641 foundations received a letter (223 in Dutch and 418 in French). A total of 125 foundations received a letter and a questionnaire (92 in Dutch and 33 in French). The foundations were asked to fill in the questionnaire by 12 July. They also received a reminder phone call. Thirty foundations received a phone call.

Half of the 68 responding foundations reported that they supported R&I in 2012. Out of these foundations, 19 (or 56 % of the foundations active in R&I) were specialised in research. Six foundations (18 % of the foundations involved in R&I) reported they were active in innovation, and 9 (or 26 % of the R&I foundations) were active in both research and innovation. This is only a small share of the estimated 265 R&I foundations reported in Section 1.3.2. The 34 foundations reported in Chapter 3 represented 12.8 % of the number of estimated R&I foundations in 2012.

## 2.3 Additional data

The data of this report rely on different sources. The questionnaire from the EUFORI research is one of these sources. The results are provided in Chapter 3. This information was completed by information collected by the Baillet-Latour Chair of the University of Liège (ULg). Founded in 2011, the 'Baillet-Latour Chair on Social Investment and Philanthropy' resulted from a partnership between the Centre for Social Economy (HEC-ULg) and the InBev-Baillet Latour Fund. This collaboration aims to promote a systematic reflection on the various forms and aspects of social investment and philanthropy. Its research programme focuses on the practices of foundations in general. The data provided in Chapters 1 and 4 are based on insights developed by the 'Baillet Latour Chair on Social Investment and Philanthropy'.

The data provided in Chapter 1 , Section 1.3.2 about R&I foundations in Belgium come from different sources. Indeed, today, apart from the Banque Carrefour des Entreprises (BCE), which lists all the legal statuses of companies, there is still no centralised database on the foundation sector at a national level. If the Ministry of Justice provides a list of public benefit foundations, the data corresponding to private foundations, as well as the accounting and employment data for both types of foundation, should be collected from other agencies such as the National Bank of Belgium and National Social Security Office. To identify the R&I foundations, the legal statuses of all the foundations were collected and the mission statements classified according to the R&I categories; the coding was carried out independently by three researchers.

The examples of innovative R&I Belgian Foundations provided in Chapter 4 come from exploratory interviews carried out in the philanthropic sector in Belgium (Mernier and Xhaufclair, 2014a). Xhaufclair and Mernier conducted 18 exploratory interviews between January and April 2014, with either the founder(s) if still alive, or the Board President or General Secretary. These interviews focused on the origins and history of the founders and his/her/their foundation, their means of granting or operating, the governance and management of the foundation and the challenges they faced or are facing. All the interviews were recorded and transcribed. Additional documents were collected for each foundation, if available (status, internal rules, activity reports and so on).

In order to account for the heterogeneity of the sector, the sample of foundations included public-benefit foundations and private foundations, as well as the hosted funds at the King Baudouin Foundation. In addition, the variety of the organisations' forms of action were taken into account for operating, grantmaking, mixed and venture philanthropy foundations. The sample also included old foundations (created in the 1950s) and very recent ones (created in 2013). The fields of activities are diverse, as is the geographical range. The sample is also heterogeneous in terms of size, with foundations having a big endowment (which only use the return on their invested capital) and foundations with a small amount of capital (which possibly have to carry out additional fundraising).

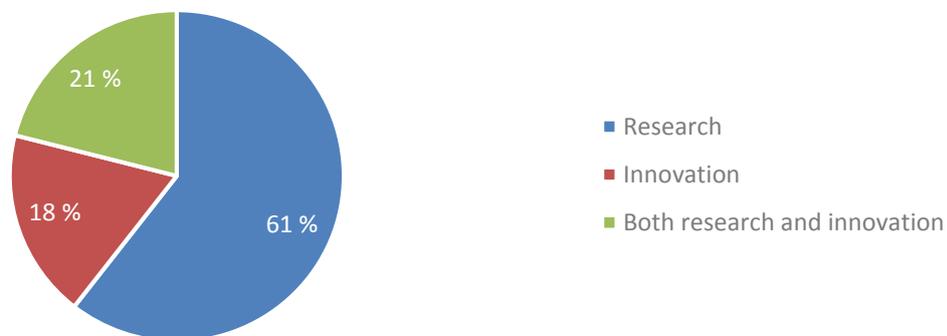
# 3 Results

## 3.1 Types of foundation

Half of the 68 responding foundations reported that they supported R&I in 2012. Out of these foundations, 23 (or 61 % of the foundations active in R&I) were specialised in research (see Figure 5). Seven foundations (18 % of the foundations involved in R&I) reported being active in innovation, and 8 (or 21% of the R&I foundations) were active in both research and innovation.

**Figure 5: Types of foundation according to research and/or innovation, 2012**

As a percentage of the total number of foundations (N=34)



In total, 30 % (5 foundations) out of the 17 foundations considered exclusively dealt with research and innovation activities in 2012. R&I spending was predominant (50 % or more) for 7 out of the 17 foundations that provided data on this topic. The remaining 5 foundations mainly focused their expenditure on purposes other than R&I.

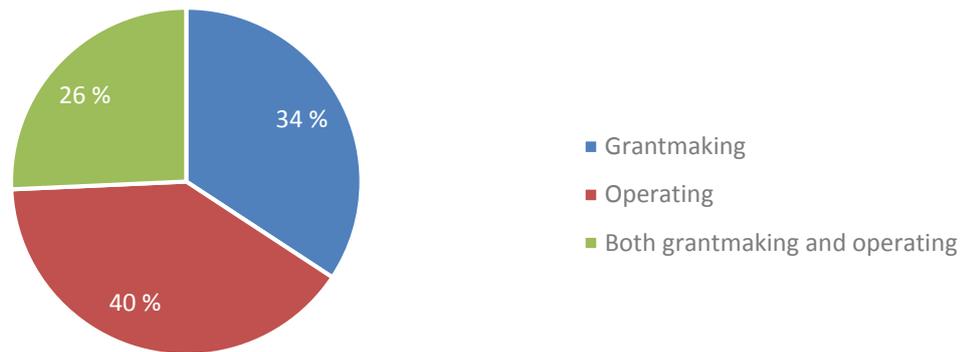
**Figure 6: Types of foundations according to purpose**

As a percentage of the total number of foundations (N=17)



The responding Belgian foundations showed a balance between grantmaking and operating foundations. Twelve foundations (34 %) were grantmaking, and fourteen foundations were operating. The remaining nine foundations reported carrying out both operating and grantmaking activities.

**Figure 7: Types of foundations; grantmaking vs. operating**  
As a percentage of the total number of foundations (N=35)



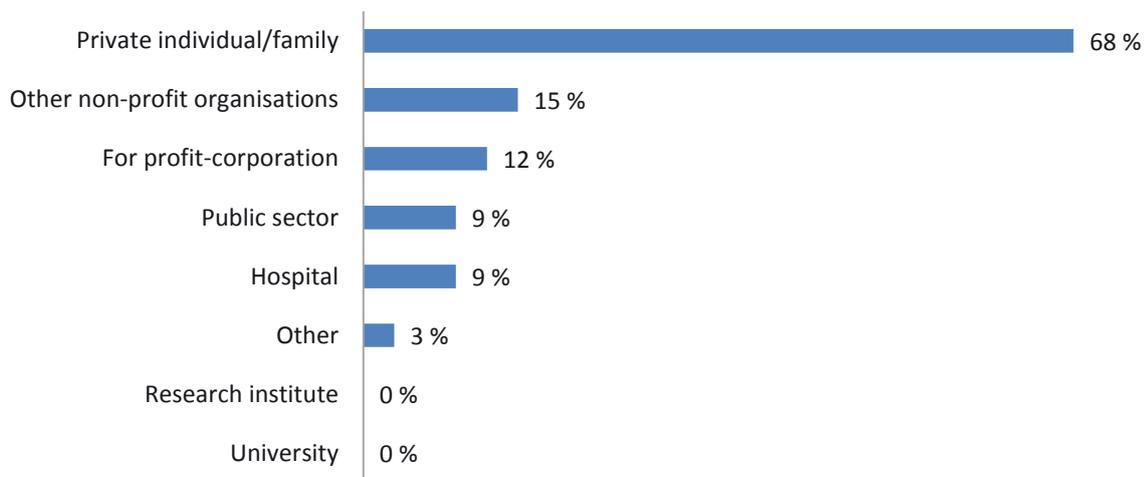
## 3.2 Origins of funds

### 3.2.1 Financial founders

The most important financial founders in Belgium proved to be private individuals, followed at a large distance by nonprofit organisations, for profit-corporation and the public sector (see Figure 8). Two out of three of the foundations involved in R&I are privately funded.

**Figure 8: Financial founders, 2012**

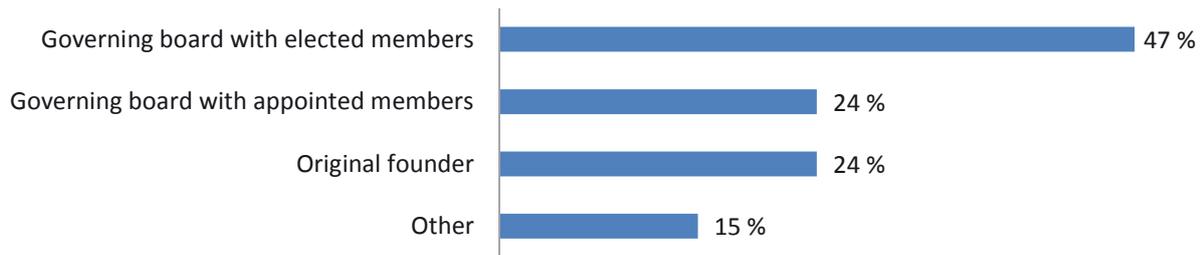
As a percentage of the total number of foundations, multiple answers possible (N=34)



As shown in Figure 8, the most important financial founders in Belgium proved to be private individuals. In most cases, the foundations reported that their annual strategy is decided on by a Governing Board. This is either a Board with appointed members (24 %, or 8 foundations) or a Board with elected members (47 %, or 16 foundations). Eight foundations reported that the original founder of the foundation defines the annual strategy.

**Figure 9: Defining annual strategy financial founders, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=34)

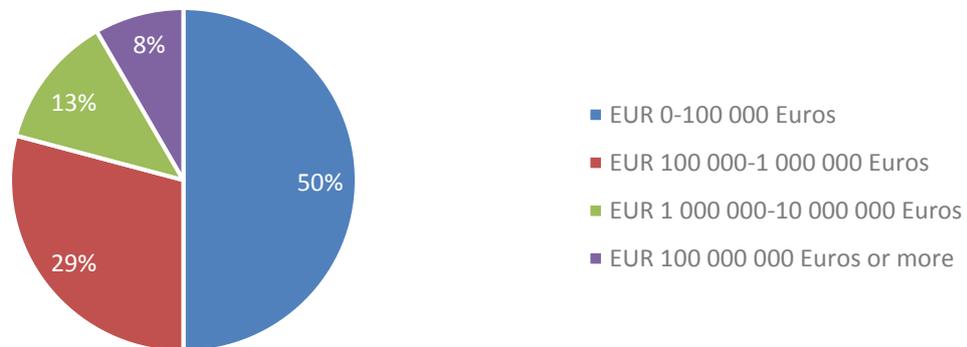


### 3.2.2 Income (total income )

The size of the Belgian foundations oriented towards R&I is fairly unbalanced. According to the amounts reported in the survey, the R&I-oriented foundations spent around EUR 424 million in 2012 in total. The largest share of the reporting foundations (12 foundations, or 50 %) declared an income of less than EUR 100 000. Only two foundations declared an income of EUR 100 000 000 or more. The distribution of income is, however, very distorted. The largest reporting foundation accounts for 58 % of the total amount reported. The cumulative income of the largest and the second largest foundation is 97.8 % of the total amount reported.

**Figure 10: Total income by categories in Euros, 2012**

As a percentage of the total number of R&I foundations (N=24)



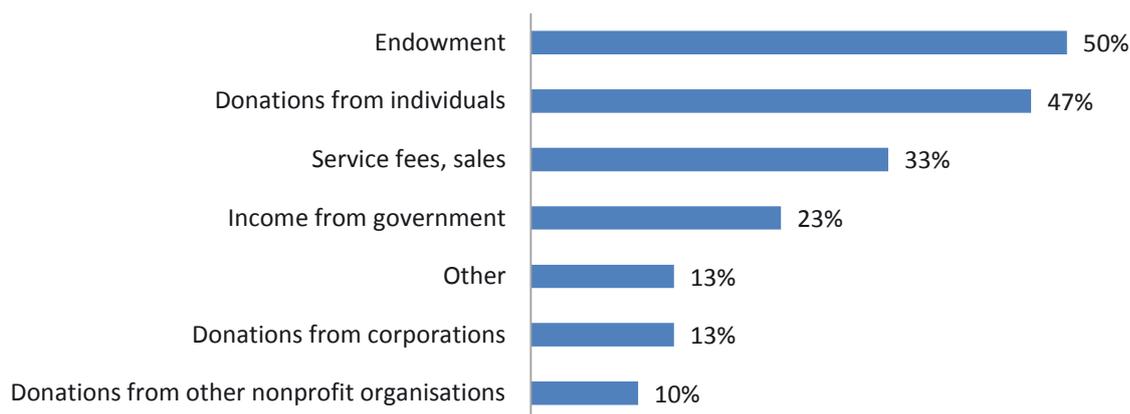
Statistics Income	
Number of foundations	24
Mean in Euros	17 663 616
Median in Euros	110 000
Total income in Euros	423 926 774

A closer look at the revenues of the R&I-related foundations shows a huge difference in income of the different foundations studied. As mentioned above, the largest reporting foundation accounts for 58 % of the total amount reported by the foundations involved in this study. The cumulative income of the largest and the second largest foundation is 97.8 % of the total amount reported.

The most reported revenue source for Belgian foundations is income from endowments. 15 foundations (50 %) reported receiving income from an endowment. Other commonly reported income sources are donations from individuals (47 %), service fees and sales (33 %), and income from the government (23 %). Income from the government was reported by only 7 foundations, but as a share of total income, it stands out from the other income sources, as 90 % of all income originates from the government. The two largest foundations in terms of income rely heavily on government income, and therefore have a major influence on the income distribution.

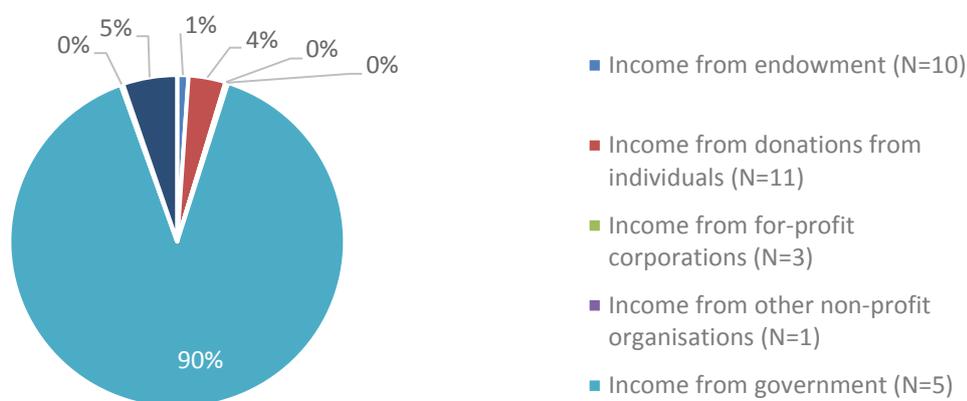
**Figure 11: Sources of income, 2012**

Total number of R&I foundations, multiple answers possible (N=30)



**Figure 12: Sources of income**

As a percentage of the total (known)\* income

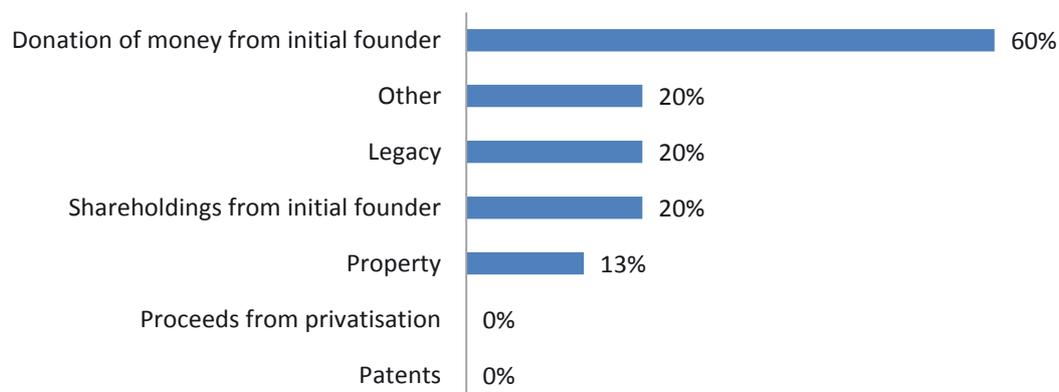


Source of income	Amount in Euros
Income from endowment (N=26)	4 534 996
Income from donations from individuals (N=22)	14 900 689
Income from for-profit corporations (N=9)	377 041
Income from other nonprofit organisations (N=7)	675 129
Income from the government (N=3)	374 119 882
Income from service fees and sales (N=2)	983 769
Income from other sources(N=10)	21 853 357
Unknown	6 481 911
<b>Total income</b>	<b>423 926 774</b>

Nine out of the 15 foundations (60 %) that answered this question reported that their endowments originate from a donation or money from the initial founder. A legacy (20 %) and shareholdings from the initial founder (20 %) were also mentioned as the origin of their endowments.

**Figure 13: Origins of endowment, 2012**

Total number of R&I foundations, multiple answers possible (N=15)

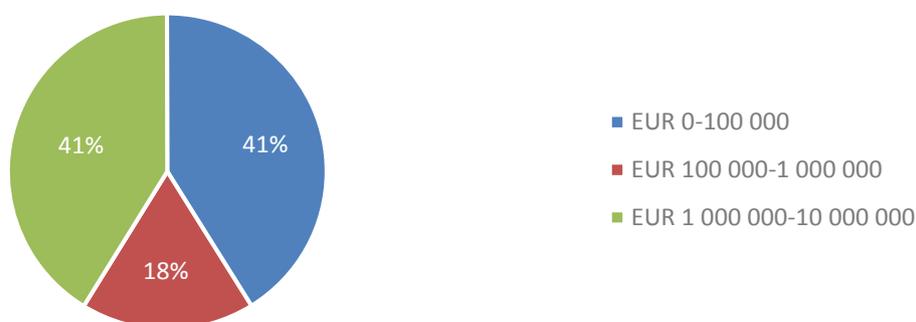


### 3.2.3 Assets

According to the respondents to the EUFORI survey, the amount of the total assets was EUR 12.8 million in 2012. The majority of foundations had assets of up to EUR 1 million. Seven foundations (41 %) reported assets of more than EUR 1 million. There is also a considerable imbalance in the distribution of assets: the top five foundations accounted for 77 % of the total assets.

**Figure 14: total assets, 2012**

Total number of R&I foundations, amounts in Euro (N=17)



#### Statistics Assets

Number of foundations	17
Mean in Euros	756 417
Median in Euros	192 082
Total income in Euros	12 859 085

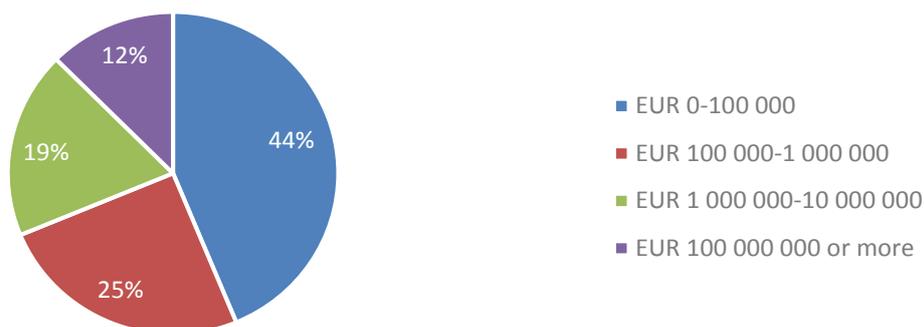
## 3.3 Expenditure

### 3.3.1 Total expenditure

The total expenditure of the Belgian R&I-oriented foundations in this research amounted to EUR 420 681 951 in 2012. As previously mentioned, the amounts spent per foundation are quite different and the distribution is very unbalanced. The two highest spending foundations account for more than 98 % of the total amount reported (see Figure 15).

**Figure 15: Total expenditures by categories in Euros, 2012**

As a percentage of the total number of foundations (N=16)

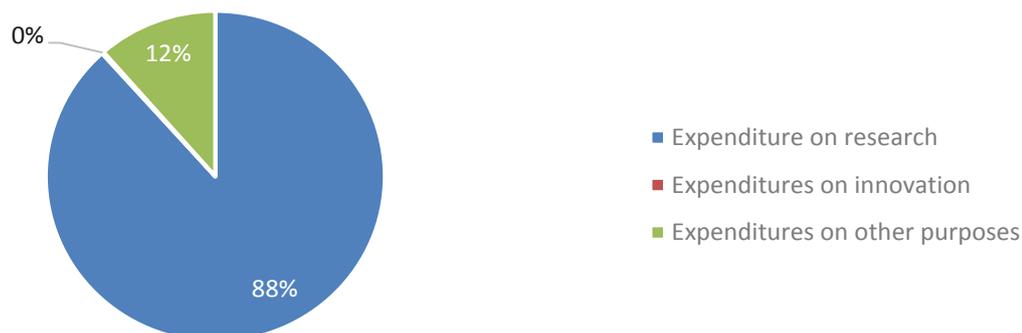


Statistics Expenditure	
Number of foundations	16
Mean in Euros	26 292 228
Median in Euros	307 703
Total income in Euros	420 675 645

The largest share of the expenditure reported (88 %) served research purposes (see Figure 16), another 0.2 % (barely visible in the figure) went to innovation, and 11.5 % of their expenditure was used for other purposes.

**Figure 16: Distribution of total expenditures by research, innovation and/or other purposes, 2012**

Amount and percentage of total known expenditures (N=14)



Statistics Expenditure	
Expenditure on research	368 966 019
Expenditure on innovation	758 567
Expenditure on other purposes	47 884 695
Unknown	3 066 364
<b>Total expenditure</b>	<b>420 675 645</b>

### 3.3.2 Research

Supporting research is clearly the most important activity for the foundations in this report. Almost their entire budget goes on research-related activities. These activities can relate to basic research or to applied research.

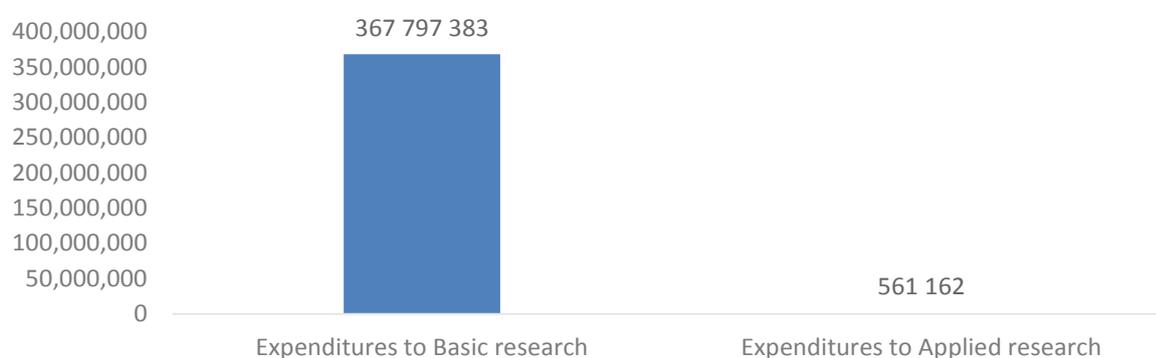
Half of the foundations in the EUFORI study reported on R&I activities and expenditure. The expenditure on basic research ranged from 2 % of the total expenditure (1 foundation) to 100 % (4 foundations). The expenditure on applied research varied from 10 % (3 foundations) to 100 % (4 foundations). The total of both types of expenditure ranged from 10 % (2 foundations) to 100 % (4 foundations). Two foundations claimed not to know their expenditures; two foundations chose not to communicate on this matter.

In terms of the number of foundations, basic and applied research are more or less equally popular (see Figure 16). However, there is a huge difference between the amounts spent on these types of research. Almost all research expenditure went on basic research (99.8 %). The number of foundations involved in applied research is, however, slightly bigger (15 vs 14) than the number involved in basic research. The reason for this imbalance is probably because the highest spending foundations give large amounts to basic research. Smaller foundations are forced to limit themselves to smaller budgets for applied research.

**Figure 17: Distribution of expenditure on research; basic vs applied**  
As a percentage of the total number of foundations (N=21)



**Figure 18: Total expenditure on research; basic vs applied, 2012**  
Amounts in Euros (N=20)



Research grants accounted for almost all of the foundations' research expenditure in 2012: 94.2 % of their expenditure was devoted to research grants, and 5.7 % to their own operating costs. A very small share (0.02 %) is spent on other areas. The relatively small amount in terms of operating costs can be most probably be explained by the fact that the largest share of the money spent on research is donated by only two foundations. The foundation that spends the most money is alone responsible for almost 60 % (58.5 %) of all the money donated by the foundations in this survey. The two largest foundations together spend 98.2 % of their total budget.

Expenditure on research goes almost entirely (99.7 %) directly to research. This represents an total of EUR 149 302 068. Research-related activities only account for 0.3 % (or EUR 458 352).

### 3.3.3 Innovation

Innovation when compared to research – as shown in Figure 14 – is considered less important for the foundations. An total of EUR 758 567 was spent on innovation by the Belgian foundations in this report. This is – compared to the expenditure in the field of research – an extremely modest amount, representing only 0.2 % of the budget spent on R&I activities in 2012.

The amounts spent on innovation are significantly lower than the amounts spent on research. This results in another cost breakdown other than the one previously described. Only two foundations reported fig-

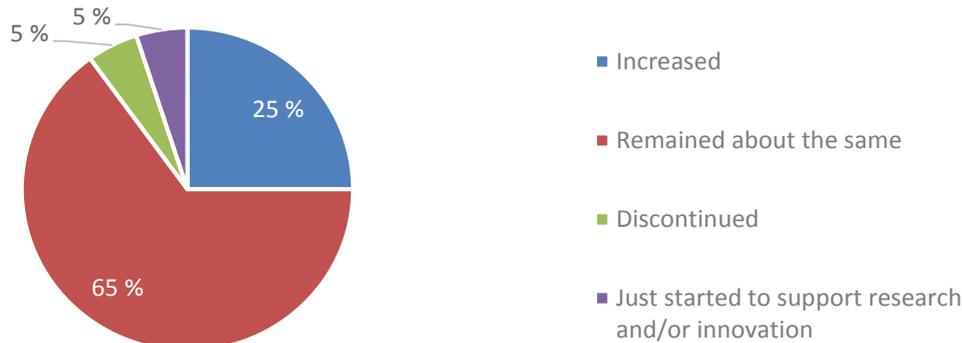
ures as to what they invested in innovation. Their efforts led to a combined investment of EUR 490 638. From this amount, 88 %, or EUR 432 122, goes on grants. Their own operating costs were reported to be covered by the remaining 12 % (EUR 58 516). The higher percentage of money spent on their own operating costs seems logical, given the much lower amount of money spent on grants. The operating costs do not differ considerably: their share is bigger if the overall amount is smaller. The difference between the two amounts is, however, striking. The smallest amount awarded in grants is three times smaller than the largest one (25 % vs 75 %). The smallest amount of their own operating cost is, however, 61 times lower than the highest cost. One explanation could be that the true operating costs of the relatively smaller activities in innovation were not calculated separately.

### 3.3.4 Changes in expenditure

In 2012, most of the Belgian foundation (13, or 65 %) in this study remained at about the same level of expenditure as the previous fiscal year. Five foundations reported that the amount of money they could make available for research and innovation had increased, and one foundation reported that they had just started to report R&I activities. One foundation discontinued its R&I spending.

**Figure 19: Changes in expenditure on research and innovation compared to the previous fiscal year**

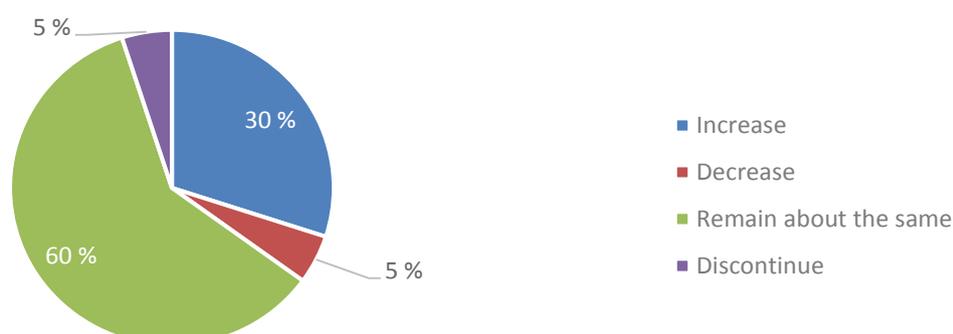
As a percentage of the total number of foundations (N=20)



The expectations for the near future are not that different from the experiences of the previous year. The same number of foundations that expected 2012 to be comparable to the previous year also expected the following year to be similar with regard to expenditure on R&I: 13 out of the 20 of the Belgian foundations involved in R&I activities expected the following year to be comparable to the current year. More than a quarter of the foundations (30 %, or 6 foundations) even expected an increase in means. One foundation expected to be able to spend less in the future.

**Figure 20: Expected changes in expenditure on research and innovation: the following year compared to the current year**

As a percentage of the total number of foundations (N=20)



## 3.4 Focus of support

### 3.4.1 Beneficiaries

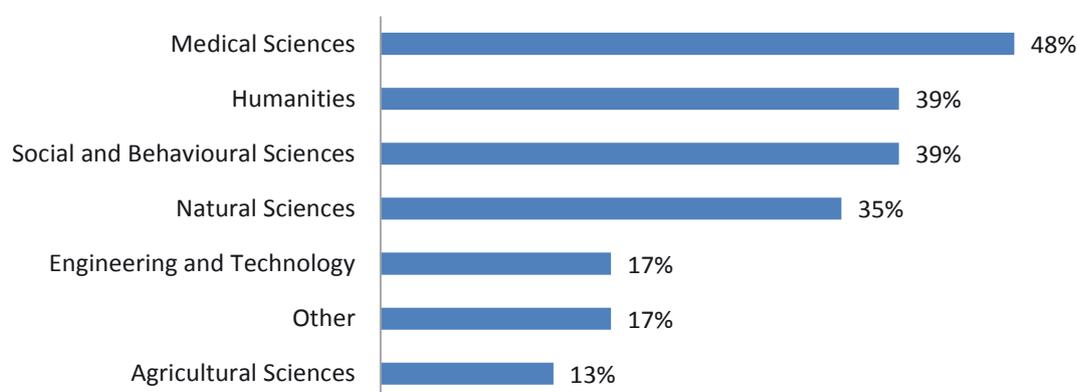
The survey question about beneficiaries was answered by very few respondents (N=5). Multiple answers were possible, but the information received was not reliable enough.

### 3.4.2 Research areas

Foundations can focus on several different research areas, thus multiple answers were possible to this question. A lot of foundations seemed to be multi-focus foundations. The 23 foundations responding gave a positive answer 44 times to the question as to whether they are involved in one of the seven possible fields.

#### Figure 21: Research areas invested in, 2012

As a percentage of the total number of R&I foundations, multiple answers possible (N=23)



Almost half of the foundations support medical science. The three most supported fields were medical science (11), the humanities (9), and social and behavioural science (9). Engineering and technology was acknowledged by only 4 foundations. Agricultural science was the most neglected field. Only three of the foundations indicated their support for agricultural science.

### 3.4.3 Research-related activities

Only 10 foundations answered the question on research-related activities. Half of the respondents mentioned their involvement in the dissemination of research results (see Figure 22). Three of the respondents answered that they promote science communication, education, and civic society mobilisation and advocacy.

## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

The questions on geographical distribution were barely answered. Two foundations reported, for example, that their expenditure on a national level is rather low (10 % and 30 %). One foundation ticked 90 % and five foundations 100 %. None of the other respondents answered this question. One foundation

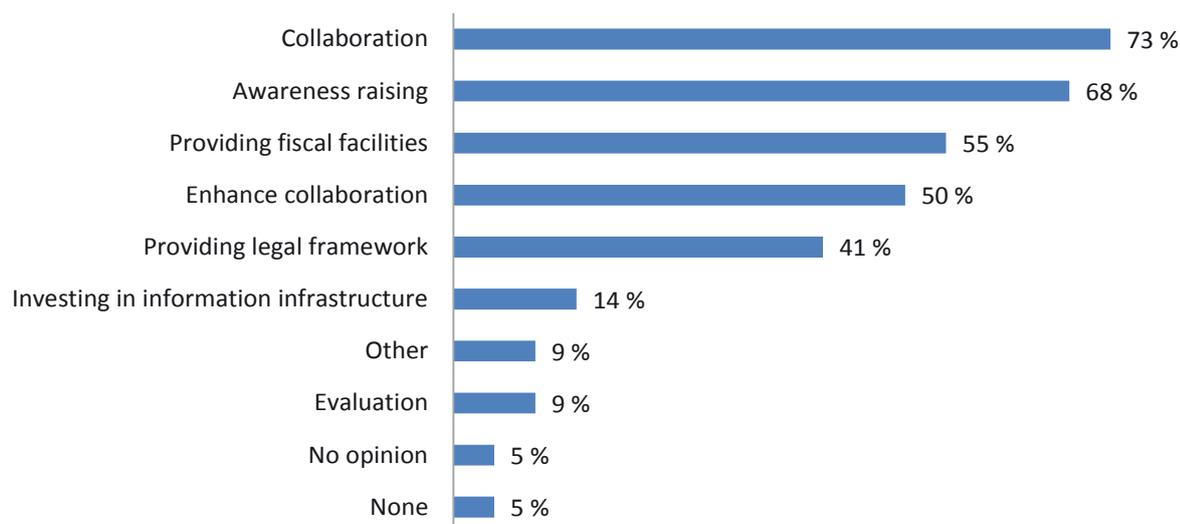
reported that 100 % of its expenditure was on a European Level, and one foundation ticked 100 % on an international level. As multiple answers are possible, this could have been the same foundation.

### 3.5.2 The role of the European Union

Whether or not they were involved in EU activities, the majority of the foundations saw at least one – and in most cases more than one – role in relation to foundations. The two most frequently mentioned roles were collaboration with other foundations in projects and awareness raising (see Figure 22). Other frequently answered categories were providing fiscal facilities and enhancing collaboration.

**Figure 22: The role of the European Union, 2012**

As a percentage of the total number of R&I foundations, multiple answers possible (N=22)

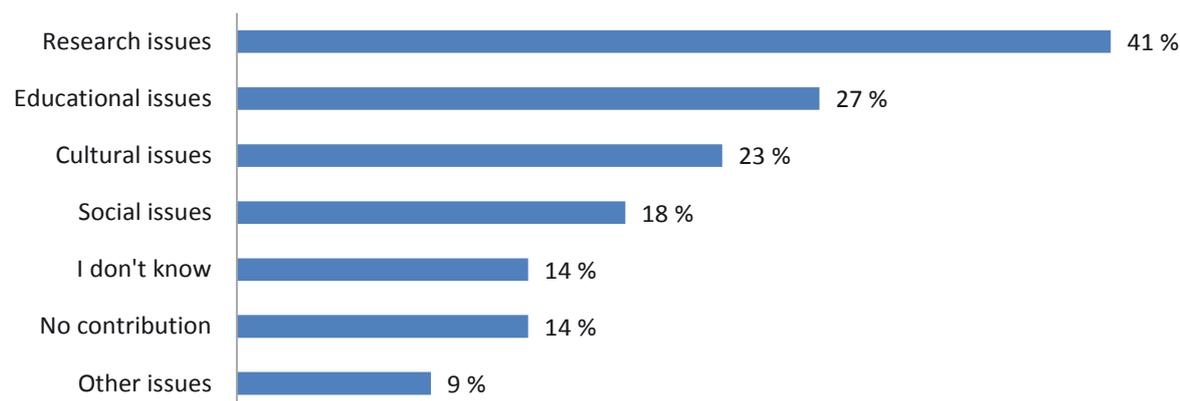


### 3.5.3 Contribution to European integration

The geographical focus of the allocation of expenditure did not have a significant impact on how the foundations assessed their own contribution to European integration (see Figure 23). Nearly all the respondents thought that their organisation's activities played some role in the development of Europe-wide co-operation in one or more fields. The number of answers was limited, although only 3 out of 22 foundations claimed not to play a role in European development.

**Figure 23: Contribution to European integration, 2012**

As a percentage of the total number of R&I foundations, multiple answers possible (N=22)



As one might expect from research on R&I, most R&I-oriented foundations felt that they could be influential in the field of research (8 out of 21 foundations). The next most frequently mentioned response categories were educational issues and cultural issues. ‘Social issues’ were addressed by only four foundations.

## 3.6 Foundations’ operations and practices

### 3.6.1 The management of foundations

As mentioned previously, it is most common that the Governing Board and its elected members define the annual strategy. In 8 cases, the Governing Board and its elected members made the decisions. Seven foundations reported that the original founder still made the annual decisions.

Slightly less than half of the foundations (16/33) reported employing paid staff. A comparable number of respondents (15/33) reported not employing people. As a result, it can be concluded that a significant share of Belgian foundations might lack the staff to manage the foundations in a professional manner.

### 3.6.2 How do grantmaking foundations support research?

The size and the staff of foundations are likely to have an impact on the selection of grantmaking methods. A proactive search for projects through competitive calls for proposals or otherwise is only possible if knowledgeable people (ideally experts in the specific field where the foundation operates and a competent support team) deal with them. The survey results – although not all that reliable given the limited number of answers – imply that there are Belgian grantmaking foundations which are very active in the call for proposals and are involved in the support of organisations.

**Figure 24: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations

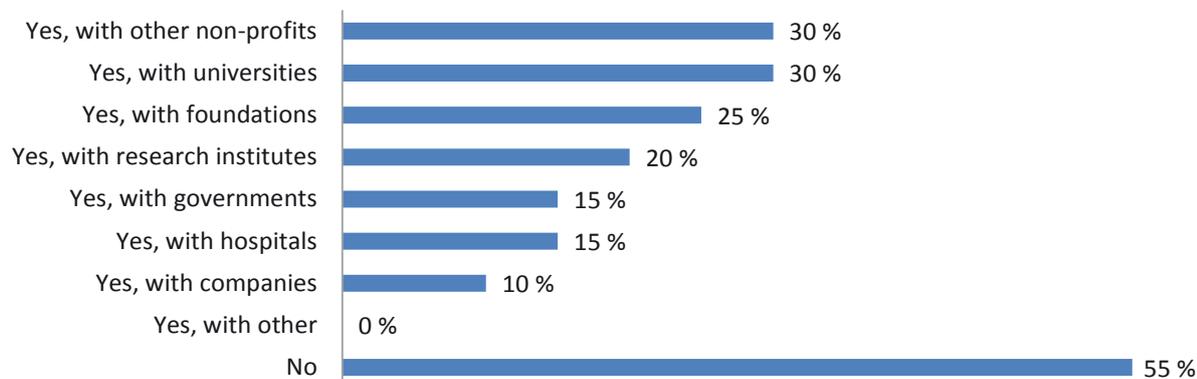


### 3.6.3 Engagement in partnerships

Despite the financial weakness of many foundations, almost half of the R&I-oriented foundations tried to work alone in 2012 (11/20); they did not engage in partnerships with any kind of potential partners (see Figure 25).

**Figure 25: Partnerships**

As a percentage of the total number of foundations, multiple answers possible (N=20)



The other 45 % (9) of foundations that answered the questions on partnerships indicated that they most commonly engaged in partnerships with other nonprofits and with universities. The reasons for engaging in partnerships varied, but the motivation given most (by 9 foundations) was to increase impact (6) and pool expertise (6), followed by increasing legitimacy (4) and pooling money due to the lack of necessary funds (4).

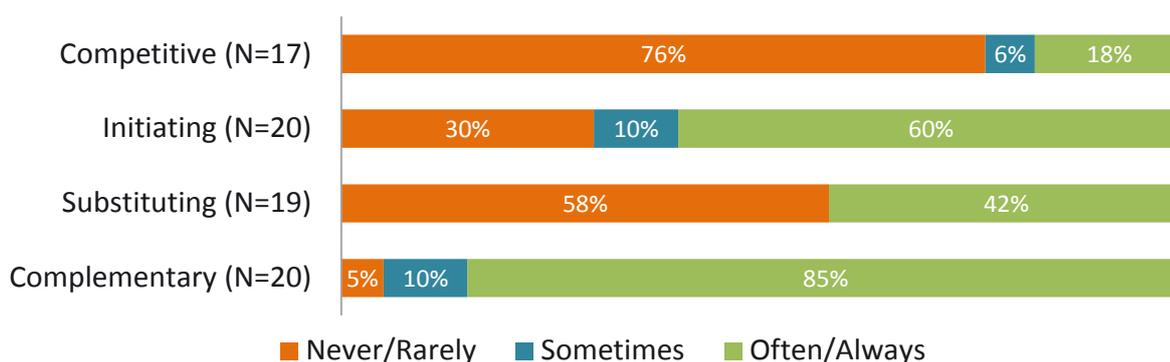
## 3.7 Roles and motivations

### 3.7.1 Roles

The roles the foundations saw for themselves were clearly not competitive, but rather complementary. Most respondents did not count competitive and substituting roles to be of great importance and considered themselves as playing a more important role in substituting and initiating activities. It was always between 4 and 12 foundations (out of 21) that indicated that they often or always played one of all the roles mentioned. The majority of the responding foundations claimed that they never (9) or rarely (2) behaved in a competitive way.

**Figure 26: Roles of foundations**

As a percentage of the total number of foundations by role



# 4 Innovative Examples

Five foundations identified as innovative are presented in this Chapter. The Bernheim Foundation, the Charcot Foundation and the P&V Foundation answered the EUFORI survey. The Vocation Foundation and the Fournier-Majoie Foundation were not identified by name in the data collected, as most foundations in the survey sample answered the questionnaire anonymously. These five examples proved to be innovative whether in their 'business model', the projects they led or gave grants for, or the partnerships they set up to achieve their mission.

## 4.1 Successful partnerships

The Bernheim Foundation was created in 1999, but was first conceived of in the mid-1970s by Emile Bernheim, who wanted to give back to the society the money he had earned during his career. In 1974, Emile Bernheim made his will along with statutes, in order to establish a foundation after his or his wife's death. In his will, he gives 'a rather humanistic vision of society, where the individual finds its fulfilment within the community, (...) to respond to their vocation, and social well-being, aware of the concepts of peace, citizenship, ... and with a transversal and multidisciplinary approach'. The vision defined by Emile Bernheim is broad enough to allow the foundation's management to let the mission of the foundation evolve according to its current needs and challenges, while still being consistent with the wishes of its founder. Today, the goals of the Bernheim Foundation are 'innovation, entrepreneurship, citizenship, peace; one can well imagine that things can be addressed according to the urgency of territoriality, a series parameters, they can be addressed differently'. One of the projects supported by the Bernheim Foundation, which is clearly identified as supporting innovation, fits well with the definition of an R&I Foundation: the 'Bernheim trainees'. Emile Bernheim, who lived through two world wars, was very sensitive about the concept of peace; he saw the European Building as an instrument of peace. For 10 years the Bernheim Foundation has supported the training of young people to the European Building through a traineeship of 10 months; two sessions of five months each at the Permanent Representation to the European Union and at the Ministry of Foreign Affairs, respectively. This partnership between the Bernheim Foundation and European Institutions is innovative: 'This project is unique because there is no other way for a young person who is bilingual, who graduated whatsoever and wants to make a ten-month internship with the European authorities, we are the only'.

The Vocatio Foundation is another example of an innovative partnership between different players. The objective of the Vocatio Foundation is to help young talented people by giving them financial support. The Foundation grants 15 annual scholarships of 10 000 Euros each. It grants 5 of these scholarships itself, and the 10 additional scholarships are granted by individuals, society, nonprofit organisations or other foundations. In the case of a scholarship granted by an individual, a link can be created between the funder (whether family, individual or enterprise) and the grantee, and the leverage effect is even more important as the individual supports the grantee not only through financial means, but also with his or her network,

knowledge and so on. The Vocatio Foundation has a 'strategic reflection' in order to have only a sponsored scholarship and to increase the amount granted. The innovation lies in the fact that the different types of players are funders (individuals, enterprises, foundations and so on) and that the model of the foundation is called to evolve with this type of custom-made partnership between the grantees and donors.

## 4.2 Innovative projects and/or initiatives that had a significant impact

The Charcot Foundation supports and funds multiple sclerosis research in Belgium. Belgian MS experts had noticed a lack of public financing regarding MS research. As they wanted to be as independent as possible from the pharmaceutical industry in terms of research topics and project selection, they created the Charcot Foundation: 'because the essence of a foundation is having an endowment, defining an objective and having a long-term vision'.

The short-term objectives of the research supported by the Charcot Foundation are to improve the efficacy of the treatments currently available, to reduce their adverse side effects and to explore the possibilities offered by 'therapeutic combinations', which are already being used successfully to combat other immunological disorders. The Charcot fund provides grants to basic research projects (97 projects funded in 25 years). However, the main distinctive action of the Charcot Foundation is the financing of clinical research projects. 'You know, basic research is not complicated to carry out, but clinical research... it's impossible! You need at least a one and a half million Euro budget! You have to be licensed, and there are a lot of administrative procedures'.

Over the past 25 years, the Charcot Foundation has financed three clinical research projects, the first of which studied mitoxantrone, a drug now approved for the treatment of some forms of MS. The second project, ASIIMS, tested the hypothesis that a combination of two treatments acting on complementary mechanisms might be more effective than either of the separate treatments. The third study, PIXAMS, is still in process and is focusing on a new molecule, pixantrone, which may be better tolerated than mitoxantrone. These studies have required considerable financial investment: EUR 1 325 000 for the ASIIMS project and EUR 893 000 in the case of PIXAMS.

'We finance the whole clinical research, but we also conduct and control the study at the scientific level. We rely on CRA, i.e. clinical research associates, which are companies that undertake clinical research for all pharmaceutical companies. We subcontract the clinical trials, but the scientific design, the follow up, and the writing and publishing of scientific reports, are done by the Foundation. The results are published in the name of the Foundation'.

## 4.3 Projects engaging the public's interest in research

The Foundation P&V supports active citizenship and combats the social marginalisation of young people. The promotion of active, committed participation from citizens, and more specifically young people, through concrete projects, means a certain democratic ideal can take shape. The aim is to inspire dignity and a willingness to fight for one's ideals in everyone, without exception, and to contribute to the building

of a fairer society. All the actions taken by the Foundation P&V are driven by the desire to bring people together, to promise that they will be listened to, and to help them turn their hopes and dreams into a reality.

The actions and operations of the Foundation P&V are based around four principles inspired by values associated with the social economy: solidarity, empowerment, citizenship and participation. In this way it intends to support active citizenship and to combat the social marginalisation of young people.

The Foundation P&V does not grant any subsidies. It initiates or works in cooperation with various actions. All the projects are organised on a three-year basis. Once the topic is defined in relationship to the mission of the foundation, the first step is dedicated to scientific research. The Foundation P&V carries out research on the chosen topic in collaboration with a researcher or a research centre. This first step helps to better understand the issue and to narrow down the subject. This first scientific step could also be based on a call for scientific papers related to the topic, and with a selection and review of the papers' proposals by a scientific committee. The selected papers are then presented during a conference or are the basis of a book published by the Foundation P&V.

The second step is the call for projects based on the results of the first scientific step. Only within the scope of these calls to projects can organisations put forward their application and be selected to receive financial support. A limited number of projects are then selected and granted for one year. The projects are continuously assessed by the foundation. At the end of the year, Foundation P&V organises a conference or publishes a book oriented towards the general public and politicians. Political recommendations are put forward to advance efforts already underway regarding the issue in question. 'We believe that our role ends here, as we are a small foundation'.

## **4.4 The introduction to the market of new products, methodologies, services and/or technologies.**

The Fournier-Majoie Foundation (FMF) practises venture philanthropy in the field of cancer research. Founded by Bernard Majoie, the former CEO of the French Laboratoires Fournier, the main objective of the FMF is to guide cancer research into medical practice. The FMF's mission is to recognise and support entrepreneurs and entrepreneurial researchers who are willing to develop solutions to significantly benefit cancer patients. To do this, the FMF has developed a support methodology based on venture philanthropy principles.

The process is divided into three steps: the scientific committee does the first screening, the investment committee makes the second assessment, and the Board of the Foundation makes the final decision. After six years based on calls for projects, the FMF has now launched an open call for proposals, thus increasing its organisational flexibility to deal with an unpredictable proposal pipeline. The FMF's added value lies in the non-financial support provided to the candidates from the very beginning of the proposal submission. Therefore, the open call allows the FMF to help the applicants from the start of the project. Mr Majoie explains: 'Our in-kind contribution is provided at the proposals analysis step, because we enter a discus-

sion with applicants. That's why we decided to move from a call for projects system to an open call. A call for a project has a deadline, and we noticed that nearly all applicants come with their project the day before the deadline. And this leaves no possibility to adjust and customise the project. On the contrary, the continuous open call allows a discussion with the projects' leaders, as long as the projects are submitted to the FMF, and I am convinced that we enrich the project, even if we decide in the end not to fund it. We dedicate a lot of time to the project leader, sometimes with his/her team in order to help with profiling the project, and most of all suggesting solutions to accelerate, reinforce and collaborate as systematically as possible'.

All funded projects have milestones and deliverables that are well defined in advance. Steering committees are organised a minimum of three times a year to review a project's progress with the project leaders, clinicians, FMF representatives and technology transfer officers.

The FMF offers multi-year financial support and is proactively looking for co-funding together with other grant organisations. Talking about a former project supported by the FMF, Mr Majoie explains: 'in some way, we have lead a "Panurge" operation. I think that the fact that the FMF decided to fund the project has a ripple effect on other potential investors'.

At the end of May 2013, the total grant amount allocated by the FMF was EUR 4 005 471. As FMF is practises venture philanthropy, the final aim is to obtain a repayment of the grant thanks to the revenue from the new product exploitation. Mr Majoie explains the principle: 'We make a grant of 100 %. Until we are 100 % repaid thanks to the operating income, we take 40 % of the profits. Then we go to 20 % until we the grant is repaid twice, then to 10 % until the grant has been repaid three times. And then, in order to make a long-term follow up to the project, we take 3 % until the expiration of the last patent. This principle depends anyway on the project's difficulty, on our investment in the project beyond financial support, and on the potential market. If this is a rare disease, for instance, then we know that we won't even have the first 100 % of the grant repaid. In this case, we diminish the requested return from 40 % to 20 %'. If the foundation succeeds in getting the expected repayments and returns, then this money will allow the funding of a greater number of high potential projects.

# 5 Conclusions

## 5.1 Main conclusions

Although few data on R&I foundations are currently available, this report shows that foundations are playing an increasingly important role in the R&I sector in Belgium. Nevertheless, the weight of the R&I sector is biased by two atypical foundations in Belgium. A large share of the money spent on research is indeed donated by foundations active with respect to the Flemish-speaking northern part of the country (FWO) and the French-speaking southern part (F.R.S.–FNRS). As described in Section 1.4, both foundations are mostly funded by government money but operate independently, relying on international expertise to select the funded projects. The rest of the foundation landscape involved in R&I activities is dominated by one foundation, the King Baudouin Foundation. The King Baudouin Foundation can be seen as good practice and a stepping stone for many smaller foundations. However, little is known about the sector as there is no systematic registration that can be used to monitor and evaluate the sector. The EUFORI study and the Baillet Latour Foundation-sponsored research on the larger foundation sector will be a much-needed and useful stage in further monitoring this sector.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Belgium

### 5.2.1 Strengths

Generally speaking, the strengths of the foundation sector are their flexibility, their innovation potential, and their possibility to follow societal and scientific evolutions and challenges at a short range. Lacking the outside control which tends to slow down many government offices, they can easily adapt their activities to the changing environment (e.g. new scientific challenges, modifications in the market demand or in the content of calls for proposals) fairly.

Belgian foundations are no exception to the rule. As shown by the examples provided in Chapter 4, Belgian foundations are active innovation levers in the Belgian institutional landscape, through innovative methodologies, new partnerships and so on. Belgian foundations seem to be excellent partners to society in addressing societal concerns, although their activities are smaller scale and less visible than in other neighbouring countries. The atypical King Baudouin Foundation is a distinctive strength, as it enables smaller initiatives to operate in a viable and cost-efficient way within its framework. Contrary to foundations like the FWO and F.R.S., other foundations like the King Baudouin Foundation or the Foundation P&V (see 4.3) also engage in advocacy activities. They often use scientific research and expertise to give their advocacy activities a sound scientific basis.

### 5.2.2 Weaknesses

Little is known about foundations in Belgium. They are registered on some administrative databases, together with other types of organisation. However, these data are not aggregated, so it remains difficult to gain an exhaustive view of the sector and the covered missions and fields.

Until recently, the foundation sector in Belgium has been more or less invisible. This appears to be a hindrance for the further legitimisation of the sector and its role in addressing general interest missions. This situation makes it difficult for public authorities to control and regulate the sector, leaving room for the instrumental use of the foundation legal form. As far as the general public is concerned, people often have a negative perception of foundations, whether they are acting for R&I or not. The latter are considered not well-known enough, and the media often highlight the misuse of foundations.

A consequence of this lack of information about foundations is that the foundations themselves do not know each other very well. This makes partnerships between foundations more complex and hazardous. This may lead to scattershot financing and limit the leverage effect of R&I foundations in Belgium.

Another weakness is the flip side of one of the strengths. The independence and the flexibility of many foundations and their degrees of freedom in decision making make them more prone to quality loss in the selection of projects and to rely on a selection of privileged partners. The well-known foundations in the Belgian landscape all rely on scientific committees composed of experts in their related disciplines, but this is not the case for smaller foundations, which sometimes work in an amateurish manner. Although most foundations are aware that they have to become more professional, it is also difficult to find volunteers and pro bono experts who agree to be involved with foundations that have a low profile.

### 5.2.3 Opportunities

The foundation sector in Belgium is still new and is now entering its maturing phase. This gives rise to new developments and new opportunities.

The creation of the Belgian Network of Foundations is a recent development. Currently, about 80 foundations have joined the Network, either with public interest status or with private legal status. Their missions cover a wide range of areas. The network aims to create the right conditions in order to make philanthropy and the foundations sector flourish throughout the country. Experience and best practice are shared through workshops organised for the Network's members. This should allow grantmaking foundations to play a greater role as funding players for R&I.

New types of funding models have been developed, notably with the development of venture philanthropy or social impact bonds, as illustrated by the Fournier-Majoie Foundation or the Venture Philanthropy Fund at the King Baudouin Foundation.

Ongoing research by the Baillet Latour Chair at the University of Liège will shed light on the sector and enable the drawing of a more complete picture of the sector. The challenge for legislators and the scientific

world is how to register and develop a set of indicators and target values without hampering the sector. The growing knowledge of the sector may contribute to the development of a strategic approach to conduct R&I-supporting activities, based on a transversal assessment of previous R&I-supporting activities.

We should point out that the Belgian Network of Foundations is located in the same building as the European Foundation Center (EFC) and the European Venture Philanthropy Association (EVPA), known as the 'Philanthropy House' in Brussels. This proximity to other organisations dedicated to the deployment of foundations in Europe, notably through innovative methods, and in the European Union 'capital', may favour expertise and legitimacy transfers, and also access to policy and decision-making centres.

### 5.2.4 Threats

The fact that foundations like the King Baudouin Foundation supply a framework to enable smaller initiatives to operate in a viable and cost-efficient way within this framework can be considered one of the strengths of the Belgian foundation landscape. But this has a flip side: the King Baudouin foundation has, however, a de facto monopoly within the Belgian foundation landscape. It may be more difficult for new foundations appearing in the landscape and promoting alternative ways of action to develop and gain legitimacy.

Moreover, some players in the field consider that the 'facilities' provided by the KBF at a very affordable operating cost may impede more autonomous actions from independent funders. The KBF has huge experience and has developed a very efficient 'frame for action'. However, this frame may hamper innovative ways of supporting R&I that could be developed outside the KBF perimeter. The Fournier Majoie Foundation (see 4.4) is a good example of a very innovative process that has the potential for leverage and to transform research in oncology into beneficial drugs and treatments.

## 5.3 Recommendations

In our view, three main recommendations have emerged from this report; they refer to (1) the lack of data, (2) the structure of the Belgian foundation sector and (3) the professionalisation of the sector.

(1) The data on R&I foundations in Belgium are still incomplete and further effort should be made to advance knowledge on this sector. This entails the development of a comprehensive database on foundations in Belgium including not only descriptive information but also data on internal practices, tools or processes. This database should also provide detailed info about the mission fields and supported project types. This would allow more in-depth knowledge about R&I foundations in Belgium, as in other fields of activity. These data should also be enriched by a transversal qualitative assessment of the running and achievements of the existing R&I foundations.

(2) The second recommendation refers to the structure of the foundation sector in Belgium. The creation of the Belgian Network of Foundations was the first step in promoting interaction between foundations in Belgium. Nevertheless, the sector still lacks genuine collaboration between its members. The foundations do not know each other very well and have much to gain from sharing their practices, successes or failures. This could lead to co-solving partnerships which together address societal issues, and facilitate

the sector's development, for instance through matching partnerships or the pooling of human capital and expertise. More collaboration between R&I foundations would also allow new entrants to better position themselves in the field and potentially improve their impact. Moreover, collaboration between R&I foundations and other R&I players could also foster the development and efficiency of the R&I foundation sector. However, this entails the players in the R&I field to gain a better understanding of what Belgian R&I foundations are and (can) do.

(3) The third recommendation is related to the professionalisation of R&I foundations and the foundation sector in general. Belgian foundations are still facing the legitimacy issue. Therefore, a greater transparency of their practices, organisational structures and resources would certainly contribute to legitimising their supporting actions in the nonprofit sector and, as far as R&I foundations are concerned, in the overall research and innovation field in Belgium. The development of a set of indicators to evaluate their mission achievements and benchmark their actions could support this trend towards professionalisation. A greater visibility of R&I foundations could potentially lead to more funds dedicated to the research and innovation area. R&I foundations still have to strengthen their identity and better identify the unique role they can play in tackling social issues.

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**Bulgaria Country Report**

# **EUFORI Study**

**European Foundations for  
Research and Innovation**

Stephan Nikolov  
Albena Nakova  
Galin Gornev

Research and  
innovation



# **Bulgaria Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 The historical background

During the Ottoman domination in the Balkans the development of civil society in Bulgaria was strictly limited and suppressed. After the liberation (1878), the embryo of civil society had huge potential for development. Considering its nature and mission it was inherently connected with the evolutionary, enlightening trend for the accomplishment of national liberation and statehood. It submitted itself almost entirely to the revolutionary impetus of April 1876 and the following Russo-Turkish war. Having adapted to the conditions of Ottoman rule, these civic structures appeared at first to be unprepared and inadequate for the completely changed status of the independent Bulgarian Kingdom, which required quite different types of organisation, style, and even pace of work and operations. They rapidly made up for lost time compared to the rest of Europe – without losing their national identity and specificity. However, the period between the end of the 19th century and the Communist victory in 1944 turned out to be too short for their growth and reinforcement. Let us bear in mind that the devastation and national catastrophe following the wars of 1912-1918, the turbulence during the first half of the 1920s, joining the Axis Powers in 1941 and the subsequent anti-guerrilla fighting – caused heavy, irreparable damage to the democratic civil sector. Oddly enough, many of the charities that had been outlawed earlier for having links with 'Anglo-American plutocracy,' Bolshevism and other 'hostile ideologies,' were banned again, this time for being 'pro-fascist.' The Stalinist-style dictatorship fiercely persecuted any free initiative: the right to exist was given only to organisations – no matter if they had opposed the former regime, or had helped Communists to avoid torture and execution or had helped their families while they were exiled, jailed or fighting in the guerrilla units – which wrote as Article One in their statutes: 'contributing to the struggle for the final triumph of Communism.' This related even to philatelic and numismatic societies, which under other normal circumstances remain very distant from politics. Up until 1989, Bulgaria was among those Communist countries that fanatically did not allow any spread of bourgeois democracy inside their borders. With the exception of certain extreme cases such as the 'Cultural Revolution' in China, there have been few other places where control of the Communist Party over the behavior, professional activities, and artistic and academic production of intellectuals has reached greater dimensions than in Bulgaria. In order to have his or her professional career an artist, a writer or academic was forced to become a member of the Communist Party, or to enter the club of 'non-Party Communists.'

Under these circumstances, the very notion of civil society appeared to be inappropriate, seen as something alien and suspicious, and so it permitted power to be monopolised by the political and other elites.

These curbed urban elites, which counted on the State for their career and income, dominated large, generally ignorant rural masses, for whom politics with its complex procedures was seen as something distant and incomprehensible according to a traditional agrarian community's criteria (see Roudometof, 1999).<sup>[1]</sup>

After the democratic changes in 1989-90, civil organisations in Bulgaria began to develop very fast, although still not so impressively as in Central Europe. Moreover, these organisations too often served as a disguise for political or business ventures, which alienated a lot of sincere people from activities in this field, and creating negative associations for terms such as civic association, non-profit organisation, and especially foundation.<sup>[2]</sup> In the period after 1999, the rate of increase in terms of numbers of non-profit organisations of all kinds in Bulgaria was relatively stable and ranged between 2 400 and 2 700 organisations annually; the fastest growing category was registered associations. Since there are no updated statistics on the total number of any kind of organisation in Bulgaria, our estimations on the basis of various sources point to around 35-37 000 registered associations, foundations and community centres, among which around 3 700- 3 800 are 'chitalishta,' a traditional form of local community centre, as well as around 4 500 foundations in various domains. According to the 2001 Law for Legal Persons with a Non-profit Purpose, non-profit legal entities are associations and foundations. Furthermore, they are divided into a few organisations aimed at public benefits (PBO), and most are engaged in activities that are of use to a more or less restricted group of people – a social or professional group, etc.

## 1.2 The foundation landscape

Nevertheless, although slow and limited, civil society has gained in position. It still has to go a long way in order to grow into a genuine partner of and remedy for the State. Its most significant source of income comes from the so-called 'Third Sector' – the non-profit organisations. With the aim of presenting an immediately observable and easily identifiable object, most authors have concentrated their attention on these organisations, which make up only one, though very important, aspect of this large, complex, and heterogeneous class of phenomena and organisations. Most of them were founded and developed during the last twenty years. If we consider (1), the ever-growing number of the various kinds of non-profits as well as the increase in their diversity (2), the noticeable expansion in the number of Bulgarian citizens with various socio-economic statuses involved the organizations' lives, and (3) the development of a legislative and institutional framework that protects and encourages both the existence and activities of the NGOs and their viability, then we can conclude that there has been significant progress in the rise of civil society in Bulgaria. At the same time, it has unavoidably inherited many of the deficiencies that distinguish this type of national society as a whole. As is appropriate for a centralised society, foundations and other non-profits began to appear in the capital city, and in many cases this was mainly a process of re-shaping existing public organisations, foundations and funds, when the numerous formerly paid or unpaid personnel became the main source of labour for these 'born again' structures. Unfortunately, these personnel also

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1 Roudometof and Nikolov (1999) *Roots of the Balkan Political Model: Pernicious Combination between Nationalism and Underdevelopment*. In: *Sociologicheski Problemi Journal*, No. 3-4, pp. 146-163 (in Bulgarian).

2 See, for more detail, Kabakchieva (2001) *Civil Society vs. the State: Bulgarian Situation*. LIK, Sofia (in Bulgarian); De Odem (2012) *Civil Society in Bulgaria: NGOs versus Spontaneous Civic Activism*, (co-author Dessislava Khristova-Kardzhilovskii), OSI, Sofia.

brought their mentality, which was too far from the spirit of mission and civic commitment. Also understandable was the negative tendency towards both the bureaucratisation of the fragile civic structures and a feeling of helplessness without foreign aid. Only during the most recent years has a qualitatively new development been observed – self-organisation primarily on a local level – which suggests an emerging awareness of their own interests and needs, and an overcoming of the old stereotype of waiting for all solutions and relief to come from ‘above,’ i. e. from the Central State.

Thus, in territorial terms, scientific and research non-profits are typically located in the capital Sofia, and only rarely in other university centres – Plovdiv, Varna, Veliko Turnovo and so on. As for their organisational make-up, associations are far more prevalent. Moreover, if for this entire third sector the ratio is around 80 %-85 % associations to 15 %-20 % foundations, here foundations make up only 5 %-10 % (our estimate). The reason for this is due to several reasons:

- First, the tradition in Bulgarian civil society whereby all bank accounts and real estate belonging to those foundations existing before WWII, mostly functioning according to someone’s will, were brutally nationalised. In most cases, this property was not properly recovered for non-profit purposes even where the necessary documentation existed, but was sold by the State and municipalities to the first comers or to the highest bidder, with no requirements about the nature of future activities.
- Second, the legal conditions that ease inheritance arrangements for non-profit purposes are still not effectively endorsed, which in turn makes it almost impossible for the few people who have the intention of making and capacity to make a will for the benefit of society, their community or sector (or their heirs, if the person has passed away).
- Third, the association-like organisations are more flexible and multifunctional. Like-minded people manage to get them with the aim of seeking funding for projects. They are free from the universities overly bureaucratic procedures involving forming ad hoc teams for every project or task.

Very often non-profit organisations combine certain characteristics of both types – for example, they may have in their name the word ‘Foundation’ to legally be an association; or they may be established on the basis of certain property – inherited or donated, often a collection of the founders’ donations, but actually function as a private institute or a think tank, where the members of the board may be involved in a specific activity.

### **1.3 The legal and fiscal framework**

According to the 2001 Law on Legal Persons with Non-profit Purpose (LLPNPP), the main difference between the two types of non-profit organisation lies in their internal structure. An association is a voluntary alliance of at least three persons carrying out non-profit activities. The main characteristic of an association is that it has members and there is a legal relationship between each individual member and the association. On the contrary, a foundation has no members. There is no pooling of individuals prepared through joint efforts to actively work to achieve its goals. The shortest definition is that it has personified property, i.e. property that is dedicated to and provided at no charge for non-profit purposes, and to which is assigned the status of an independent legal entity. These two types of non-profit organisation are

absolutely equal in terms of their selection of objectives, activities and status for either private or public benefit. Any non-profit goals that an association can set up would also be put forward by a foundation. Both associations and foundations may engage, in addition to non-profit activities, in business under the terms of the LLPNPP. Also, both associations and foundations may be established to carry out activities for both private and public benefit. For the purpose of further summarising certain important features of the legal and fiscal regulations specific for Bulgaria, we will quote from Rutzen, Moor and Durham (2009): <sup>[3]</sup>

In Bulgaria, PBOs are subject to financial audits for the use of state or municipal subsidies or grants under European programs. The Central Registry within the (Bulgarian) Ministry of Justice has the right to inspect and monitor the activity of PBOs.

The tax authorities typically ensure compliance with tax regulations. Other regulatory bodies may focus on compliance with labor law regulations and money laundering provisions. In Bulgaria, the State Agency 'National Security' is tasked with monitoring money laundering and the financing of terrorism, and the National Revenue Agency ensures the payment of social security under labor contracts and the payment of taxes (e.g., income tax, tax on profits from economic activity, etc.), while the local authorities are responsible for collecting local taxes and fees (e.g., tax on real estate, tax on some property transactions, etc.).

In Bulgaria, to provide social services, an organization need not be licensed, but it must be registered in a special registry; only services to children require a special license.

Fines are often imposed in the case of the failure to file reports. Such is the case in Bulgaria, where the state may penalize NPOs from EUR 50 to EUR 500.

## 1.4 Research/innovation funding in Bulgaria

Under the Communist regime in Bulgaria, science, like many other social domains, was relatively well-financed by the State budget – but which in no way meant the effective use of money. Many fields that served mainly the enormous ambitions of Communist ideology were supported and even overfunded, ones that nurtured a certain prestige and pride, having first and foremost a propaganda effect, but no socio-economic effectiveness. This was expressed by putting an emphasis on all sciences that upheld the military industrial complex and the development of scientific and technological espionage, which directly provided the Soviet Union with ready-made products and insights into electronics, military and space technologies.

Unfortunately, this distorted funding model continued after the change to a market economy, and became even more doomed when the budgets became far more restricted. It is not only that the State is funding science and innovation less than any other EU (and not only EU) country (see Table 1.1.), but probably the greatest flaw is that there are almost no other sources for subsidising research. The scientific institutions and centres in Bulgaria are using as a rule obsolete equipment. Thus, in order to do their work, scholars

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3 Douglas Rutzen, David Moore, and Michael Durham. The Legal Framework for Not-for-Profit Organizations in Central and Eastern Europe. The International Journal of Not-for-Profit Law. Volume 11, Issue 2, February 2009.

use their own computers, office supplies, and other equipment – and, indeed, a lot cannot be paid or obtained privately, especially sophisticated research equipment. Furthermore, academic staff are perpetually underpaid – salaries in most State-run academic centres are lagging far behind those in occupations that need much less education and competence. The public is generally unaware about all of this, and the predominant public mood towards academic people is insolently expressed in questions such as ‘How can you earn money for reading books and thinking?’

**Table 1: Expenditure on scientific R&I according to type and sector, 2011**

Type of cost	Business	Public	Higher education	Non-profit	Total
Current expenditure	222 014	148 628	39 793	2 920	413 355
Expenditure on acquisition of tangible material assets	6 677	5 314	4 213	17	16 211
<b>Total</b>	<b>228 691</b>	<b>153 942</b>	<b>43 996</b>	<b>2 937</b>	<b>429 566</b>

Source: <http://www.nsi.bg/otrasal.php?otr=16&a1=2248&a2=390&a3=469#cont>

According to the most recent data published by the National Statistical Institute (NSI) of Bulgaria, in 2011 the total of funding for scientific R&I in Bulgaria was (recalculated in Euros) less than EUR 220 million, of which slightly more than half was provided by private business; around 36 % by the State (here including relevant EU funding); around 10 % from universities’ (both public and private) own sources, and a negligible 0.6 % by non-profits. Generally, research centres and departments lack not only funding for replacing outdated equipment, but even ongoing utilities payments – electricity, water, heating (during the winter often whole buildings are closed to save on heating, and the personnel are packed into smaller shared rooms). In most cases, if not provided specifically by individual projects, scholars can barely count on covering their work-related transportation costs even inside the country. Thus, if in the past intellectuals were prevented from travelling abroad by the imposed political restrictions, now this is also a problem due to the lack of both their employer’s and their own money. Scientific libraries cannot afford to subscribe to and purchase literature. In addition, all this is accompanied by severe cuts to personnel – if previously many institutions had much staff, now they are seriously understaffed, and technical staff (technicians, lab analysts and so on) is practically unavailable. Younger and smarter scholars, reasonably, choose foreign universities and research centres and, as a result, the average age of an academic in Bulgaria is 50-55.

Spending on scientific research and innovation is also extremely unevenly allocated within the country. Bulgaria is still too centralised, and most of its intellectual resources are concentrated in the capital Sofia.

In order to shed more light on the scarcity of R&D funding in Bulgaria we have to compare it with the situation in other EU member states. According to the Eurostat data (Eurostat, April 2014), <sup>[4]</sup> the Bulgarian Gross Domestic Expenditure on R&D for 2012 (% of GDP) was 0.64, while the EU-28 average is 2.06 and

4 EU Gross Domestic Expenditure on R&D, Eurostat, April 2014.

the Euro Area (EA-17) average is 2.14. In this respect, Bulgaria takes a modest 26th place out of the 28 member states, having a small advantage over only two countries (Cyprus and Romania) and dramatically lagging behind leading countries such as Finland (3.55) and Sweden (3.41). Along with some non-economic factors (the elites and the general public mentality, for example, and the related immaturity of the 'culture of consensus') this insufficiency of funding is undoubtedly one of the most important factors for Bulgaria's relatively poor research and innovation performance. The scale of its poor R&I performance is clearly indicated by the following series of comparative data (EU, 2013): excellence in S&T (2010): Bulgaria – 24.65, the EU – 47.86 (the US – 56.68); knowledge intensity of the economy (2010): Bulgaria – 29.45, the EU – 48.75 (the US – 56.25); the economic impact of innovation index (2010-2011): Bulgaria – 0.234, the EU – 0.612.

According to Enterprise Europe Network (Brussels, 2014),<sup>[5]</sup> with regard to R&I performance, the EU member states can be divided into four groups (innovation leaders, innovation followers, moderate innovators, modest innovators) with Bulgaria, Latvia and Romania placed in the last group, i.e. modest innovators. In addition, in terms of the Europeanisation of the country's R&I system: 'The level of Bulgarian participation in the Framework Programmes is low. As of February 2012 Bulgaria ranks 20th among EU Member States both in terms of number of applicants (0,91 % of the EU total) and requested EC contribution (0.55 % of the EU total). The applicant success rate of 17.2 % is lower than the EU average (21.2 %) as is the EC financial contribution success rate of 10.8 % (EU average 20.4 %)' (European Union, 2013).<sup>[6]</sup> Against this sober background, there is some recent good news. Taking into consideration, for example, its recently growing innovation performance (2010-2011), as well as the rising quality of Human Resources and Firm Investments, there is a new tendency for Bulgaria to be considered the 'EU catching-up leader' (European Union, 2013). Our own observations point more to the need to compare the stability of such a short-term tendency with a longer time span.

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5 Innovation performance: A comparison with EU Member States, International Competitors and European Regions. Enterprise Europe Network, Brussels, 2014.

6 Research and Innovation Performance in EU member states and its associated countries. Luxembourg: Publications Office of the European Union, 2013, pp. 33-35.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

This unusual state of affairs in the Bulgarian third sector, and especially in the non-profit one, seriously complicated our preliminary work for selecting units to be further studied in the EUFORI survey. The absence of a national association of NGOs, or of a register covering the whole sector forced us to start from scratch.

In practice, the Union of Bulgarian Foundations and Associations, which one time served as main promoter of the third sector in Bulgaria, does not exist, because was not legally dissolved in the courts according to legal procedure. There is no inheritance and it is even not clear where its archive is.

Thus, several ways were used to approach the problem:

- A review of archival sources and databases – previous research, compiled registers and lists of nonprofits, both on the Internet, and in print.
- Interviews with resource personnel: experts who have done research in the past in this field, managers in the scientific domain – university presidents, rectors, heads of institutes, departments, research units and so on (an example from one such informal interview with a prominent resource person is presented below).
- The websites of almost each of the 51 university centres in Bulgaria were assessed, and in the most intriguing cases we made contact with colleagues from these institutions to establish some facts, i.e. whether there are foundations in their area – either concerned with science in general or in specific scientific area.
- Professional associations and unions in the field of sciences and technology were approached, including the Union of Bulgarian Scientists and the Federation of the Science and Technology Unions with its 19 chapters.

In this way, we compiled a list of around 40 organisations. After further assessing their relevance to the survey criteria, and eliminating those with whom no communication was possible (i.e. due to their being apparently non-existent, non-functional or with outdated contact information), and finally a list of 18 organisations with their contacts was submitted to the main team in Amsterdam.

## 2.2 The survey

Out of the 18 organisations taking part, 13 filled in our questionnaire. As could be expected, out of these 13 nearly all – with one exception only – are located in Sofia.

The 13 foundations filled in the online questionnaire in two stages <sup>[7]</sup>:

- During the first stage the questionnaire was filled in by nine organisations, which was due to a series of problems with the exact e-mail addresses, unreceived messages etc.
- During the second stage – after sending several reminder messages, many telephone conversations and after eliminating a lot of technical difficulties and mistakes – the questionnaire was completed by the remaining four foundations.

For different reasons and (mostly) because, according to their own contentions, they didn't receive the questionnaire (and despite our numerous phone calls and reminding as well as visits at the foundations' premises), 5 but of the 18 foundations failed to fill-in the questionnaire. Finally, it turned out that the remaining 13 foundations, which completed the questionnaire, ten have supported scientific research and innovation in the last five years, while three have not.

## 2.3 The interviews

At the second (qualitative) stage of the investigation, in-depth interviews were carried out with eight of the ten foundations studied in detail, who had filled in the whole online questionnaire. The choice of organisations for the qualitative stage was made on the basis of their agreement – after completing the online questionnaire – to participate in an in-depth interview (two of them refused to cooperate). Thus, only eight Bulgarian R&I foundations were investigated both quantitatively and qualitatively.

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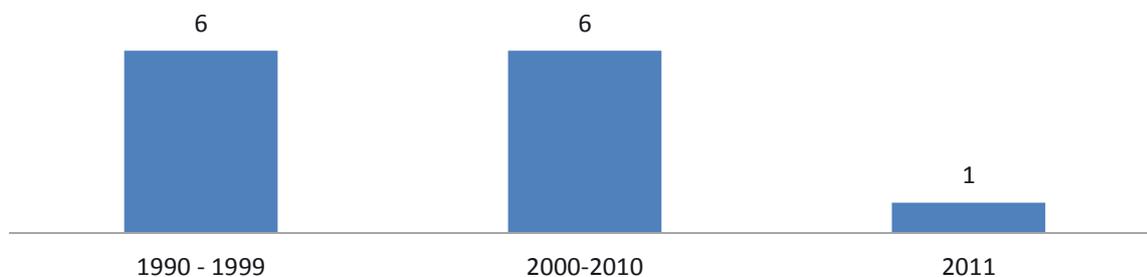
7 There are few large foundations operating in Bulgaria, which have a sufficient budget to sustain staff and offices, but they rarely, if at all, fund projects in the field of science and innovation: 2-3 run and supported by the state (established during the final years of communism), covering first of all culture and art, giving grants for studies of gifted young people, and, finally, funding publications (almost exclusively fiction), and the travel & accommodation expenses of secondary school students and graduate students for conferences and scientific competitions abroad. Soros' funded Open Society was transformed into a small think tank, which is running own research agenda (in the socio-political and economical field). The offices of US ('America for Bulgaria' Foundation, which inherited a few remained after the Bulgarian EU accession. The US runs long-term projects), German (almost exclusively politically oriented – K. Adenauer, Fr. Ebert, H. Seidell, plus Goethe Institut), the British Council and Alliance Francaise also run or fund first of all projects in the social sphere, culture, incl. exchange of artists, as well learning of respective languages and distribution of pieces of art. If they at all fund something related to science, it is very small share of their 'package,' and are limited to assisting the Bulgarian part of certain joint projects (again, travel, possibly per diems and accommodation during their stay in the respective country) To a greater extent support for R&I is observed only in several (relatively) large foundations such as the ARC Foundation, the Center for Academic Studies etc.

# 3 Results

## 3.1 Types of foundations

All the foundations in Bulgaria that are currently active in supporting scientific investigation and innovations were (re)established in the transition period, i.e. after the ‘tender revolution’ of 1989, although some of them inherited foundations already existing in the pre-Communist period. According to the year of their establishment the thirteen foundations investigated can be classified as follows: five of them were registered at the very beginning of the transition (1990-1992); one in the mid-nineties (c. 1995), another five in 2000-2005 and the last two in 2010-2011.

**Figure 1: Types of foundation according to year of establishment**  
Number of foundations by decade (N=13)



As mentioned previously, for the period under investigation (2005-2012), only 10 out of 13 foundations were carrying out and/or supporting research and innovative activities, while the other three were not, despite the registration of this activity as their priority. A typical example in this respect is the ‘Science’ Foundation, established by the Union of Scientists in Bulgaria, whose said their priority is to support Bulgarian science, but which in the last several years has been unable to accomplish this for financial reasons. Speaking more generally, this situation is indicative of the present-day financial state of affairs in the whole area of science and innovation in Bulgaria.

A prominent, indicative and very clarifying opinion about this state of affairs is as follows. Prof. N. Yakimov, a long-serving manager in the scientific domain, including the role of Chief Scientific Secretary at the Bulgarian Academy of Sciences (BAS) said:

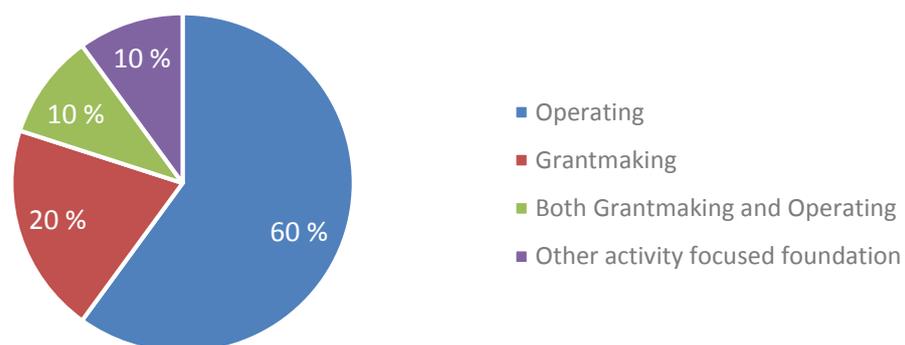
*I am highly tempted to tell you frankly, I doubt there are Bulgarian foundations committed to supporting and to carrying out research and innovation. In the BAS there was and perhaps still exists on paper a Bulgarian*

*Science Foundation, which I know has financed more than one project, but I am sure that you cannot find any data concerning it. The Foundation was created by Ivan Yukhnovski (former President of the Academy, still very influential) on the Board of the Bulgarian Academy of Sciences and it collected funds from write-downs from the Academic House (Hotel) of the Bulgarian Academy of Sciences in Sofia. As far as I know, for a long time there haven't been any additions to its accounts.*

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Out of the ten foundations actually functioning in the field of science and innovation, six define themselves as operating foundations (the European Software Institute (ESI) Center in Eastern Europe Foundation; the Applied Research and Communications Foundation; the ICT Cluster Foundation; the Human and Social Studies Foundation; the Gavriysky Foundation; and the SOS Contractors Foundation), which use their expenditure to achieve their goals by themselves, by carrying out projects within their own organisation. In fact, this is the type of foundation that dominates this field in Bulgaria. In contrast, there are only two foundations (the Workshop for Civic Initiatives Foundation and the D.A. Tsenov Foundation) in the country that define themselves as grantmaking, which use their expenditure to give grants to other organisations, and/or support projects carried out by other organisations. There is also one foundation (the Evrika Foundation) which is unable to define itself as either operating or grantmaking because, according to its own opinion, it combines elements of both categories. Another one does not pit itself in either of the two categories, probably because of the fact that support for scientific research and innovation plays a secondary role in its activities; this is only complementary to its main activities.

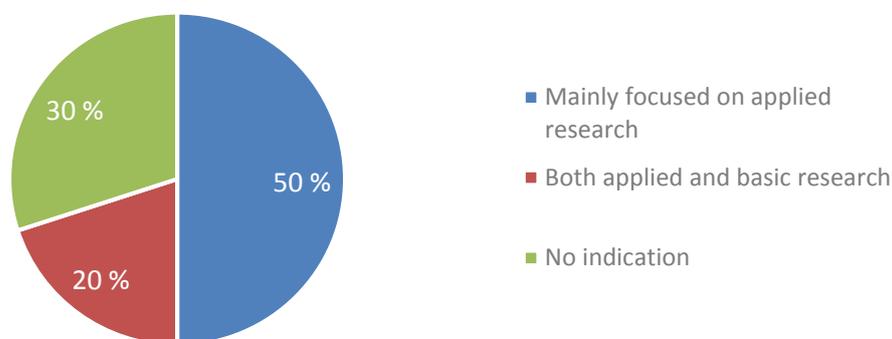
**Figure 2: Types of foundation; grantmaking versus operating**  
As a percentage of the total number of foundations (N=10)



The R&I foundations in Bulgaria are aimed mostly at acquiring new applied knowledge, i.e. knowledge with a particular application or intended use: in fact, seven of them finance applied research (the Workshop for Civic Initiatives Foundation; the Erika Foundation; the Gavriysky Foundation ; the Applied Research and Communications Foundation; the D.A. Tsenov Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; and the Human and Social Studies Foundation) and only two out of these seven indicated that, in addition to this, they were also involved in basic research (the Erika Foundation and the Human and Social Studies Foundation); research acquiring new knowledge with no particular application or intended use. At the same time, three of the foundations did not indicate any support for either of these research (sub)fields, which is an indication that, most probably, their activity is predominantly, or even exclusively, oriented towards auxiliary areas concerned with the facilitation of research & innovation activities and the dissemination of their results.

**Figure 3: Types of foundation in terms of supporting research; basic versus applied**

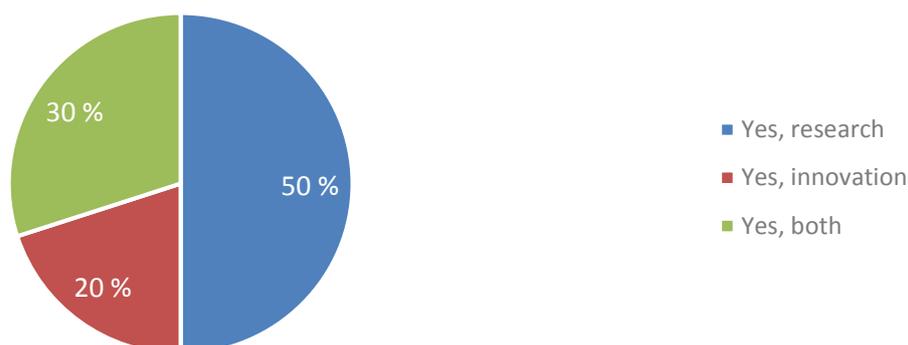
As a percentage of the total number of foundations (N=10)



The balance between research and innovation activities in the foundations investigated here is as follows: foundations involved exclusively in research: five (out of ten) (the Centre for Advanced Study (CAS); the Erika Foundation; the Gavriysky Foundation ; the D.A. Tsenov Foundation; and the Human and Social Studies Foundation); exclusively in innovation: two (the ICT Cluster Foundation and the SOS Contractors Foundation); both in research and innovation: three (the Applied Research and Communications Foundation ; the European Software Institute (ESI) Center in Eastern Europe Foundation; and the Workshop for Civic Initiatives Foundation).

**Figure 4: Types of foundation; research and/or innovation**

As a percentage of the total number of foundations (N=10)



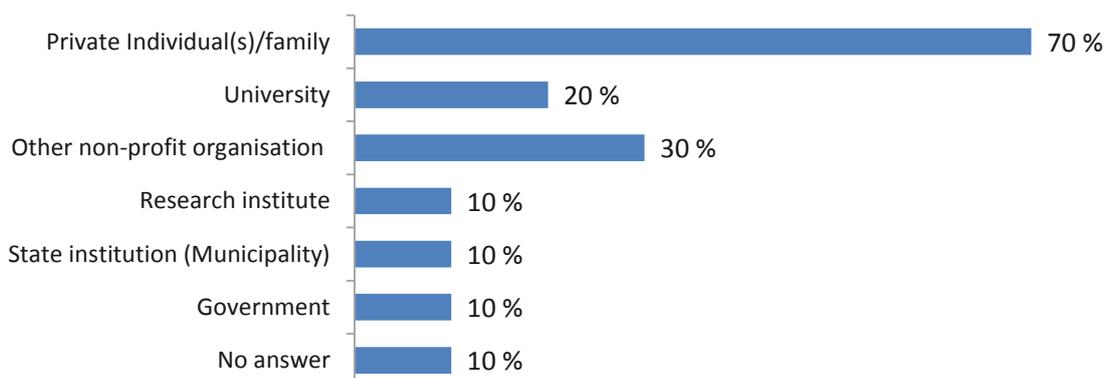
## 3.2 Origins of funds

With regard to their financial founders, the foundations in Bulgaria are most frequently established by the initiative of private individuals, as is the case with seven out of the ten investigated foundations. In some of these cases the private individual's initiative was supported by a university and another non-profit organisation (one foundation). In other cases the initiative of the private individual was combined with the initiative of a research institute, another non-profit organisation and of a State-run institution, especially of a municipality (among these there was one foundation).

In the remaining three cases the establishment of the foundation may be considered non-private in terms of their basic character. In the first such case the foundation was established by the combined initiative of a non-profit organisation and the public sector (the government). In another case the foundation's establishment was realised as a sovereign initiative of a university. One of the foundations declined to answer this question.

### Figure 5: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=10)



In terms of their total income for the financial year 2012, Bulgarian R&I foundations belong to two categories: up to EUR 100 000 (3) and from EUR 100 000 to 1 000 000 Euros (4). At the same time three foundations declined to declare their 2012 income.

### Statistics income

Number of foundations	Total income in Euros
10	1 798 415

### Figure 6: Total income according to category in Euros, 2012

As a percentage of the total number of foundations (N=10)



The frequency of the main sources of income for the R&I foundations in Bulgaria is as follows:

- Income from an endowment (interest, dividends and capital gains): three foundations (the Human and Social Studies Foundation; the Evrika Foundation; and the SOS Contractors Foundation).
- Donations from individuals (i.e. gifts, bequests): four foundations (the Workshop for Civic Initiatives Foundation; the Evrika Foundation; the D.A. Tsenov Foundation ; and the SOS Contractors Foundation).
- Donations from for-profit corporations: three foundations (the Workshop for Civic Initiatives Foundation; the Gavriysky Foundation ; and the SOS Contractors Foundation).
- Donations from other non-profit organisations: three foundations (the Workshop for Civic Initiatives Foundation; the Gavriysky Foundation; and the Human and Social Studies Foundation).
- Income from governments (mainly the EU and to a much lesser extent national, regional and local): six foundations (the Workshop for Civic Initiatives Foundation; the Applied Research and Communications Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; the Human and Social Studies Foundation; the Centre for Advanced Study (CAS) Foundation; and the Evrika Foundation).
- Service fees, sales and so on: four foundations (the Workshop for Civic Initiatives Foundation; the Applied Research and Communications Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; and the SOS Contractors Foundation).

#### Figure 7: Sources of income

As a percentage of total (known) income, multiple answers possible (N=10)



This division of income suggests that foundations' staff devote much effort to finding financing from the scarce pool of resources and prospective reserves that may be expected in a relatively poor (according to European standards) country like Bulgaria.

In absolute financial terms the levels of 2012 income according to source for the different foundations vary widely within the following limits:

- Income from an endowment: up to Lev 199 336 (EUR 101 918).
- Donations from individuals: between Lev 2 100 (EUR 1 023 Euros) and Lev 183 000 (EUR 93 566)
- Donations from for-profit corporations: up to Lev 5 000 (EUR 2 556).

- Donations from other non-profit organisations: up to Lev 15 000 (EUR 7 699)
- Income from governments (EU, national, regional and local): between Lev 5 093 (EUR 2 604) and Lev 498 000 (EUR 254 623).
- Service fees, sales and so on: between Lev 1 000 (EUR 511) and Lev 435 000 (EUR 222 412).

**Table 2: Sources of income**

Sources of income	Amounts in Euros
Income from an endowment	101 970
Donations from individuals	1 096
Donations from for-profit corporations	2 556
Donations from other non-profit organisations	7 669
Income from governments	295 574
Service fees, sales etc.	366 596
Unknown	1 022 954
<b>Total income</b>	<b>1 798 415</b>

As mentioned previously, income from endowments was declared by only three (out of ten) foundations and, what this means in all these cases is that all their donations come from the initial founder. These endowments are maintained in order to generate a constant income for the foundation and, quite naturally, all the foundations actively seek for it to increase.

Any of the R&I foundations' income from national government subsidies and grants is relatively small. There are no representatives of the government on the governing boards or supervisory boards of the R&I foundations in Bulgaria. There is no (re)distribution of government funds. According to one foundation's opinion, the government does not influence decisions on the allocation of funds for R&I.

As a whole, according to the volume of their total asset, R&I foundations in Bulgaria can be divided into four groups:

- Foundations with assets up to EUR 100 000 – one foundation.
- Foundations with assets between EUR 100 000 and 1 000 000 – two foundations.
- Foundations with assets between EUR 1 000 000 and 10 000 000 – two foundations.

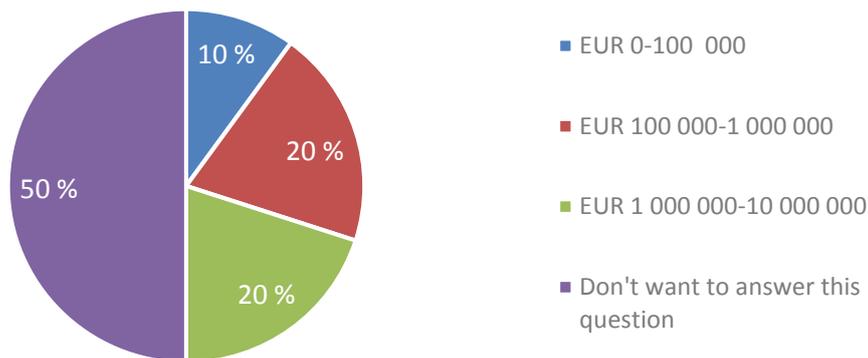
Foundations which declined to declare their assets – five foundations.

### Statistics assets

Number of foundations	Total assets in Euros
10	3 755 438

**Figure 8: Total assets according to category in Euros, 2012**

As a percentage of the total number of foundations (N=10)



It is impressive that there is a strong tendency among the foundations to refuse to specify the value of their assets: actually, five, or a half, of the studied foundations refused to offer information about the value of their total assets. The total assets of the R&I foundations may be considered a combination of several types of asset:

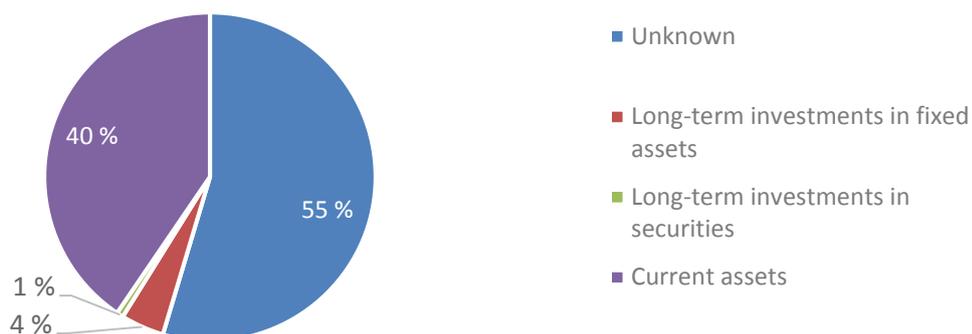
- Current assets – between 70 % and 88 % of the total assets or, in monetary terms, between Lev 163 204 and 1 072 039 (between EUR 83 480 and 548 357).
- Long-term investments in securities – usually up to 12 % of the total assets of the foundation or, in monetary terms, up to Lev 24 051 (EUR 12 302).
- Long-term investments in fixed assets – up to 10.2 % of the total assets of the foundation or up to Lev 1 25 112 (EUR 63 995).

**Table 3: Distribution of assets**

Distribution of assets	Assets in EUR millions
Current assets	1 481 563
Long-term investments - securities	24 051
Long-term investments - fixed assets	154 550
Unknown	1 995 890
<b>Total Assets</b>	<b>3 755 438</b>

**Figure 9: Distribution of assets**

As a percentage of total assets (N=10)



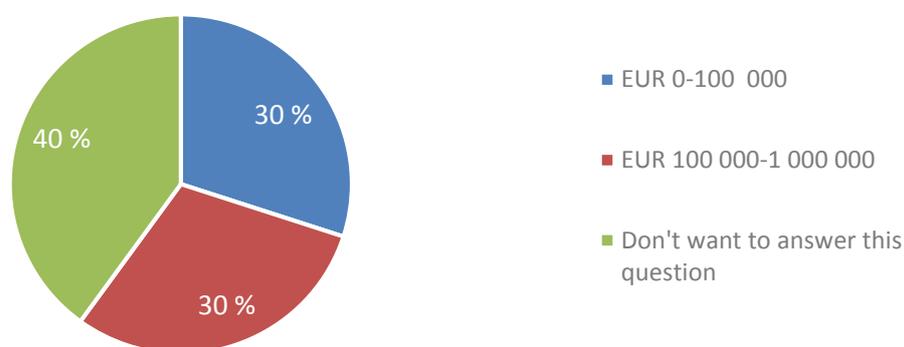
### 3.3 Expenditure

According to their total expenditure for the 2012 financial year the foundations in Bulgaria may be divided into the following two categories:

- Expenditure of up to EUR 100 000 (three out of the investigated 10 foundations); this expenditure varied between Lev 3 000 (EUR 1 534 Euros) and Lev 90 000 (EUR 46 016)
- Expenditure between EUR 100 000 and 1 000 000 (another three foundations); their expenditure varied between Lev 206 555 (EUR 105 610) and Lev 1 182 000 (EUR 604 347).
- The other four foundations refused to answer about their expenditure and, thus confirmed the general tendency to refuse information on a foundation's financial matters.

**Figure 10: Total expenditure according to category in Euros, 2012**

As a percentage of the total number of foundations (N=10)



#### Statistics expenditure

Number of foundations	Total expenditure in Euros
10	1 236 235

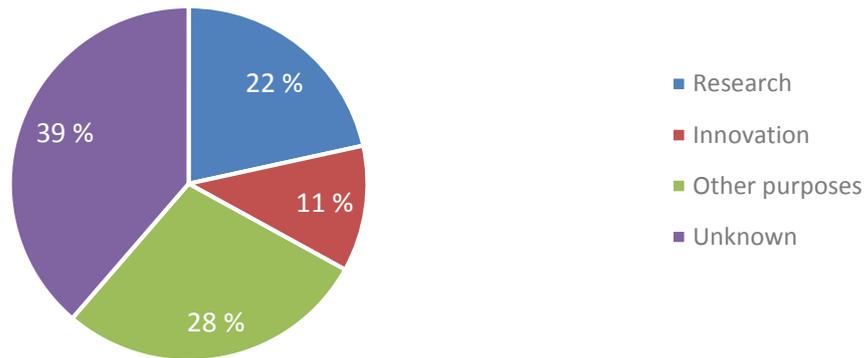
The different activities of Bulgarian R&I foundations in terms of their total expenditure are as follows: between 20 % and 80 % on research, between 5 % and 20 % on innovation and between 20 % and 95 % on other purposes. It is clear that expenditure on research and innovation does not have a leading position, giving way to expenditure on other purposes (at the same time, expenditure on innovation is almost negligible). In financial terms, expenditure solely on research is between Lev 32 211 (EUR 16 476) and Lev 181 304 (EUR 92 739); expenditure solely on innovation is between Lev 21 122 (EUR 10 804) and Lev 120 869 (EUR 61 826). In total, expenditure on both research and innovation, is between Lev 73 927 (EUR 37 814) and Lev 302 174 (EUR 154 564).

**Table 4: Distribution of total expenditure by research, innovation and other purposes**

Expenditure	Amount in Euros
Research	266 447
Innovation	142 068
Other purposes	349 150
Unknown	478 568
<b>Total expenditure</b>	<b>1 236 235</b>

**Figure 11. Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of total known expenditure (N=10)



Expenditure by foundations solely on research can be divided into two parts: expenditure on direct research activities, ranging from 20 % to 80 % of the total research expenditure, and expenditure on research-related activities, varying between 20 % and 100 % of the total research expenditure. This confirms the assertion that a significant number of R&I foundations in Bulgaria do not seriously support research activities per se, but, more probably, predominantly research-related activities. For instance, the activities of the Evrika Foundation; the Gavriysky Foundation; the D. A. Tsenov Foundation; the Human and Social Studies Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation are focused on research-related activities as follows:

- The organisation of scientific conferences, symposia, seminars, round tables (the Evrika Foundation; the Gavriysky Foundation; the D.A. Tsenov Foundation; the Human and Social Studies Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation).
- Supporting publishing and information activities, financing publications in scientific editions and the dissemination of research results (the National Economic Archives Journal, the Dialogue Electronic Journal (<http://www.uni-svishtov.bg/dialog/>), the D.A. Tsenov Foundation; the Critique and Humanism Journal, the Human and Social Studies Foundation); publishing scientific books, the Gavriysky Foundation.
- Financing scientific communication, covering expenses for taking part in scientific events, the Evrika Foundation; the Gavriysky Foundation; the D.A. Tsenov Foundation; the Human and Social Studies Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation.

One example of an especially successful direct research activity is the that of the Evrika Foundation, which, in collaboration with the Bulgarian Ministry of Education and Science sponsors, the National Fund for Scientific Research, whose central objective is to finance the realisation of scientific projects. Through the initiative of the Evrika Foundation, and within the National Fund for Scientific Research, the ‘Young Scientists Fund has been created, supporting the projects of young scientists up to 35 years of age.

Expressed in financial terms, the resources allocated by Bulgarian R&I foundations to direct research, according to their own data, vary between Lev 15 841 (EUR 8 103) and Lev 54 391 (EUR 27 822) while resources allocated to research-related activities are in the range of Lev 36 963 (EUR 18 907) to Lev 126 913

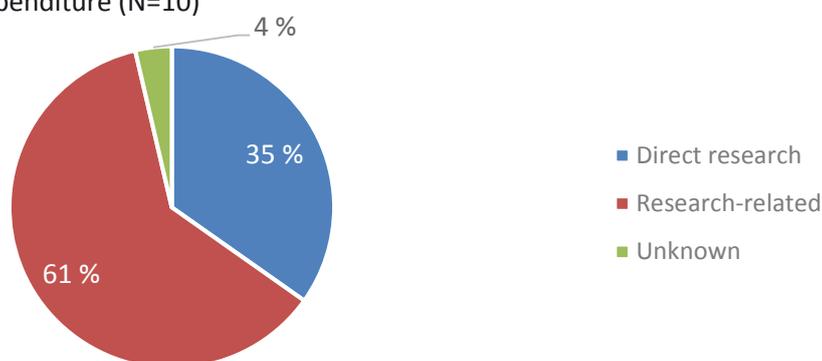
(EUR 64 917). In fact, the biggest support for both direct research activities (EUR 27 822) and for research-related activities (EUR 64 917) is given by the European Software Institute (ESI) Center in Eastern Europe Foundation. Considerable support for direct research activities is also given by the Human and Social Studies Foundation. At the same time the second largest share of support for research-related activities is given by the Evrika Foundation.

**Table 5: Distribution of expenditure on research: direct vs. research-related**

Distribution of expenditure on research: direct vs. research-related	Amount in Euros
Direct research	92 780
Research related	164 003
Unknown	9 662
<b>Total expenditure on research</b>	<b>266 447</b>

**Figure 12: Distribution of expenditure on research: direct versus research-related**

As a percentage of total expenditure (N=10)



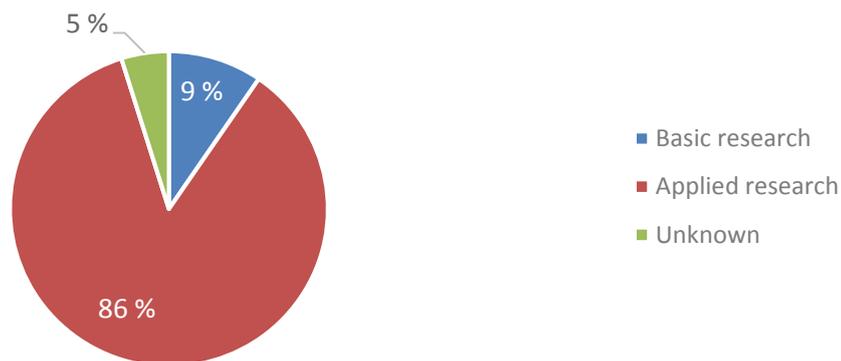
As a share of the total foundations' research expenditure, the expenditure on applied research strongly outweighs its fundamental counterpart. As a rule, the foundations declaring (financial) support for fundamental research, use around 30 % of their total expenditure for this purpose, while the corresponding share of applied research expenditure varies between 30 % and 100 %. In addition, the total number of foundations declaring 100 % of their applied research expenditure (four foundations) exceeds those declaring smaller shares (between 30 % and 70 %) on applied research (three foundations). In absolute (financial) terms, this means that the foundations spend between Lev 9 663 (EUR 4 943) and lev 15 841 (EUR 8 103) on fundamental research and between Lev 9 663 (EUR 4 943) and Lev 181 304 (EUR 92 739) on applied research.

**Table 6: Distribution of expenditure on research: basic vs. applied**

Distribution of expenditure on research: basic versus applied	Amount in Euros
Basic research	25 504
Applied research	228 058
Unknown	12 883
<b>Total expenditure</b>	<b>266 447</b>

**Figure 13: Distribution of expenditure on research: basic versus applied**

As a percentage of total expenditure (N=10)



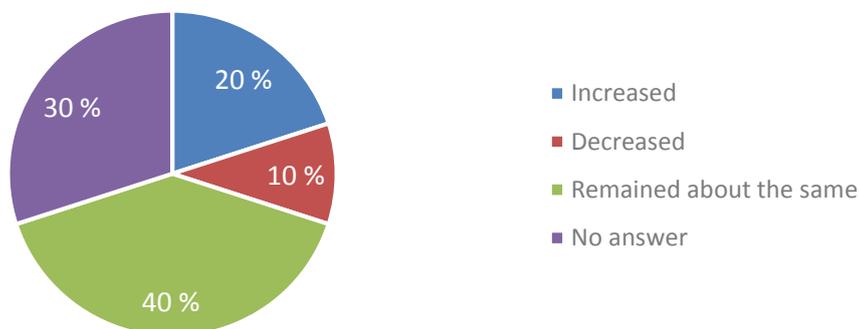
The expenditure by R&I foundations on research in 2012, including both expenditure on direct research activities and research-related activities, consisted of the following forms and amounts:

- Grants (including awards and prizes) – between 70 % and 100 % of the total research expenditure or, between Lev 32 211 (EUR 16 476) and Lev 36 963 (EUR 18 907).
- Own operating costs – between 2 % and 30 % (up to lev 15 841 or EUR 8 103).
- Other expenditure – up to 20 % of the total research expenditure (exact monetary data missing).
- The expenditure in 2012 by Bulgarian R&I foundations on innovations consisted solely of their own operating costs – 100 % of the total innovation expenditure (exact monetary data missing).

What attracts our attention here is that, according to the opinion of a significant part of the Bulgarian R&I foundations (four out of ten), compared with the previous financial year, their expenditure on research and innovation in 2012 remained at about the same level. Only two of the foundations reported an increase in expenditure (up to 68 %) and only one reported a decrease (about 30 %). Once again a significant part of the foundations refused to answer (three foundations).

**Figure 14: Changes in expenditure on research and innovation compared to the previous year**

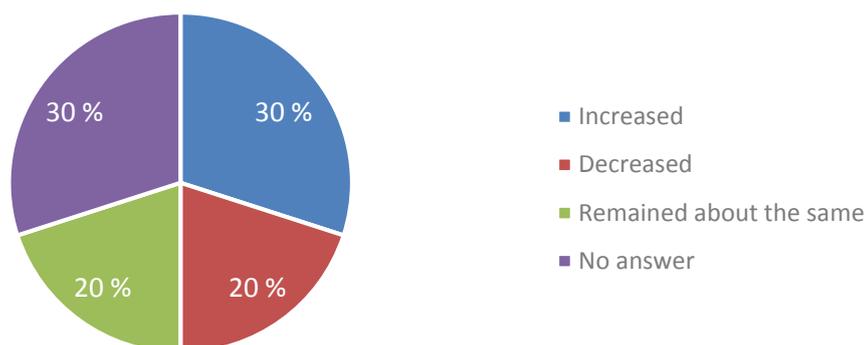
As a percentage of the total number of foundations (N=10)



The expectations of the R&I foundations for the future are a little bit more optimistic: three of them expect an increase in the next financial year in their expenditure on R&I (an increase of between 10 % and 40 %); two expect about the same level of R&I expenditure and another two expect a dramatic decrease (between 50 % and 80 %). The positive indication here is that no foundation in the sector foresees suspending its research and innovation expenditure.

**Figure 15. Changes in expenditure on research and innovation: expectations for next year**

As a percentage of the total number of foundations (N=10)



### 3.4 Focus of support

The research field with the strongest support from the investigated R&I foundations in Bulgaria is social and behavioral science. In 2012 it was supported by five foundations, i.e. by half of the studied foundations, and the amount of their financial support varied from Lev 240 000 (EUR 122 710) to Lev 350,000 (EUR 178 952).

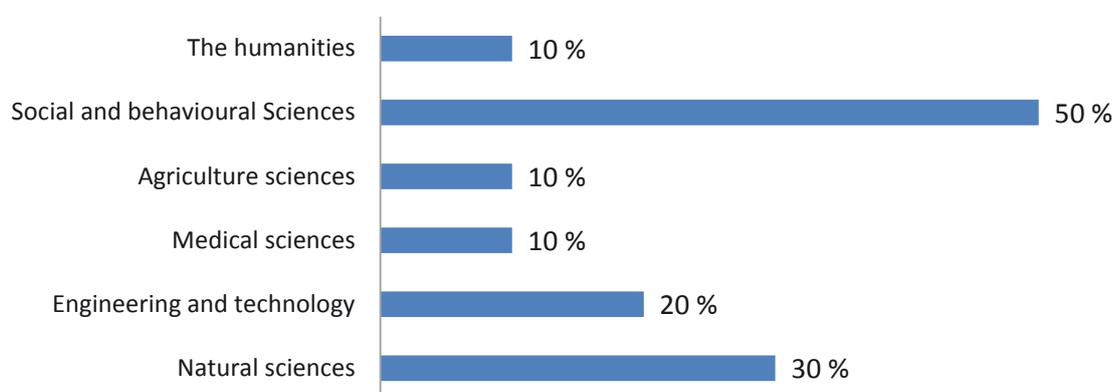
The second position in this respect is occupied by the natural sciences, which were supported in 2012 by three foundations and the amount of their financial support varied between Lev 9 000 lev (EUR 4 601) and Lev 75 000 (EUR 38 346).

The field of engineering and technology was supported in 2012 by two foundations and, in this sense, proved to be third place in this hierarchy (the exact amount of financial support was not indicated).

The lowest level of support from R&I foundations was given to fields such as medical science, the humanities and agricultural sciences. Each of these fields was supported by only one foundation without any indication of the exact monetary amount of support.

**Figure 16: Research areas**

As a percentage of the total number of foundations, multiple answers possible (N=10)



The factors for the changing priorities of public interest in Bulgaria (including foundations) towards the different disciplinary areas can be viewed against a background of the well-recognised global shift of priorities from ‘hard’ sciences such as physics, chemistry, mathematics etc. to biology and the ‘softer’ behavioural/social sciences such as law, economics, psychology, sociology etc. Along with these global tendencies there are, of course, nationally specific factors for this re-orientation of scientific priorities. Reflecting the important changes in the value system of Bulgarian society after the fall of Communism, there is a rising preference for the softer branches of science, and especially social sciences, which promise better and easier to realise opportunities in terms of career, fame and income. For instance, we can observe a wide expansion of social/behavioural scientific experts in the domain of private (demoscopic) agencies, associations and foundations, as well as in the ‘corridors of power.’

**Table 7: Support to thematic fields**

Expenditure	Amount in Euros
Natural sciences	42 948
Engineering and technology	No answer
Medical sciences	No answer
Agricultural sciences	No answer
Social and behavioural sciences	179 074
The Humanities	No answer
Unknown	44 425
<b>Total expenditure on research</b>	<b>266 447</b>

Furthermore, the leading position of social and behavioural sciences on the hierarchy of foundational support in Bulgaria is characteristic not only of 2012, but of the last five years as a whole. In other words, the hierarchy of support according to R&I fields has remained constant during the last five years: 1) social and behavioural sciences; 2) natural sciences; 3) engineering and technology; 4) medical sciences, the humanities, agricultural sciences, and insurance and social security. Expressing verbally their own views on which areas are important, the foundations suggested a very similar order: for instance, they put social and behavioural sciences most frequently in first or second place.

With regard to research-related activities, the strongest support in 2012 by the R&I foundations was given to activities connected with the dissemination of the research results – five out of ten foundations (the Evrika Foundation; the Gavriysky Foundation; the D.A. Tsenov Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; and the Applied Research and Communications Foundation), supported them with up to Lev 20 000 (EUR 10 226).

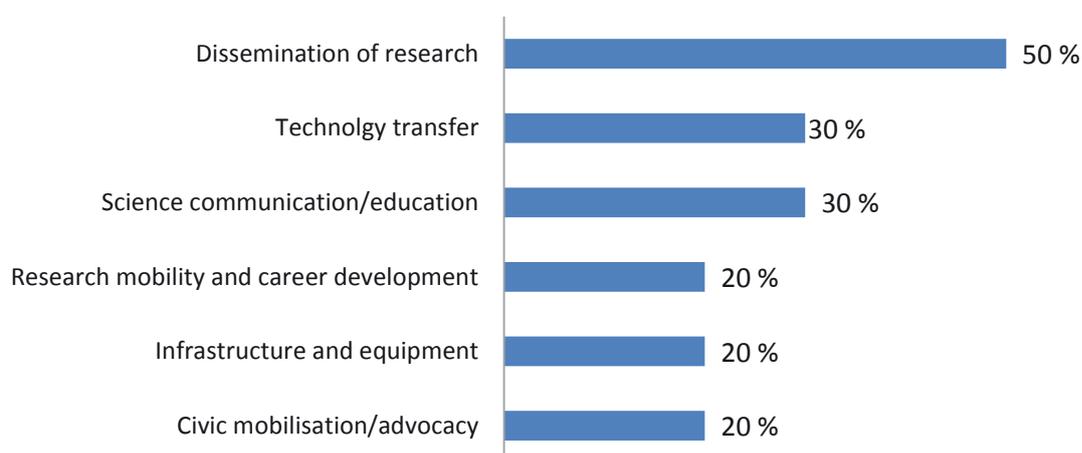
Two types of activity are in second place – technology transfer (the Evrika Foundation; the Applied Research and Communications Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation) and science communication/education (the Evrika Foundation; the Applied Research and Communications Foundation; and the D.A. Tsenov Foundation). In 2012 both types of activity were

supported by three foundations each. The amount of financial support ranged from Lev 19 000 (EUR 9 715) to Lev 30 000 (EUR 15 338).

Three types of activity, which received the support of two foundations, occupy third place: research mobility and career development (the Evrika Foundation and the Applied Research and Communications Foundation); infrastructure and equipment (the D.A. Tsenov Foundation and the European Software Institute (ESI) Center in Eastern Europe Foundation); civic mobilisation/advocacy (the Applied Research and Communications Foundation and the European Software Institute (ESI) Center in Eastern Europe Foundationn). They received financial support from Lev 5 000 (EUR 2 556) to Lev 210 000 (EUR 107 371). We have to underline here, however, that despite its third position according to the number of supporting foundations, the infrastructure and equipment activity is in first place according to its share of the received financial means (Lev 210 000 or EUR 107 371).

### Figure 17: Research-related activities

As a percentage of the total number of foundations, multiple answers possible (N=10)



This level of financial support for research related-activities, however, is not consistent over the last five years. Taking into account its dynamics, the support by foundations for research-related activities should be as follows: 1) the dissemination of the research results (contd. below)

Table 8: Expenditure on research-related activities

Expenditure	Amount in Euros
Research mobility and career Development	No answer
Technology transfer	15 384
Infrastructure and equipment	108 108
Dissemination of research	20 512
Science communication/education	9 743
Civic mobilisation/advocacy	10 256
<b>Total expenditure on research-related activities</b>	<b>164 003</b>

(the Evrika Foundation; the Gavriysky Foundation; the D.A. Tsenov Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; the Applied Research and Communications Foundation; and the Human and Social Studies Foundation) and science communication/education (the Evrika Foundation; the Gavriysky Foundation; the D A. Tsenov Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation; the Applied Research and Communications Foundation; and the SOS Contractors Foundation), both supported by six foundations each; 2) research mobility and career development (the Evrika Foundation; the Gavriysky Foundation; the D A. Tsenov Foundation; Human and Social Studies Foundation); 3) technology transfer (Applied Research and Communications Foundation; European Software Institute (ESI) Center Eastern Europe Foundation), infrastructure and equipment (D. A. Tsenov Foundation; European Software Institute (ESI) Center Eastern Europe Foundation) and civic mobilization/advocacy (Applied Research and Communications Foundation; European Software Institute (ESI) Foundation, supported by two foundations each.

As can be seen above, during the last five years there has been an increase in support for scientific communication/education and for research mobility and career development; and a decrease in support for transfer of technology; at the same time, support for the dissemination of research has remained at the top.

When ranking according to importance for the different science-related activities, the R&I foundations themselves put science communication at the top most frequently (two times) followed by technology transfer and infrastructure and equipment (both once).

In next place dissemination of research is the most frequent area (three times in second place) and research mobility and career development (once).

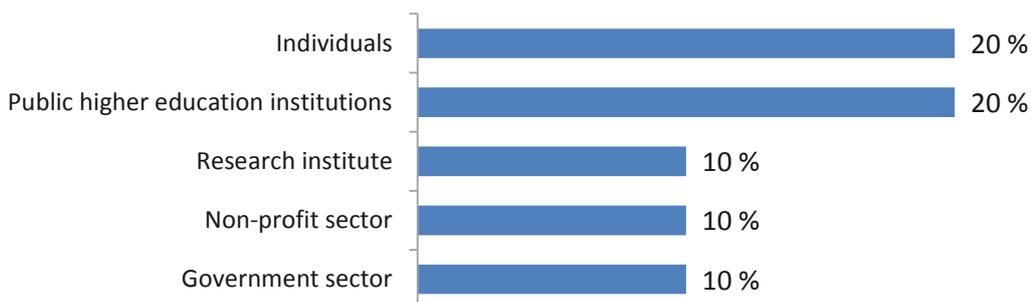
As a rule, civic mobilisation/advocacy lags behind in these rankings (coming once in third and once in fourth place).

The subjects/beneficiaries to which the R&I foundations provide their support can be classified as follows:

- Public institutions in higher education –representing the biggest share – between 10 % and 90 % of the grants provided for 2012.
- Research institutes – representing up to 40 % of the grants provided for 2012.
- Individuals – between 10 % and 20 % of the grants provided for 2012.
- Representatives of the non-profit sector – up to 20 % of the grants provided for 2012.
- The government sector (excluding higher education institutions) – representing the smallest share – up to 10 % of the grants provided for 2012.

**Figure 18: Beneficiaries**

As a percentage of the total number of foundations, multiple answers possible (N=10)



### 3.5 Geographical dimensions of activities

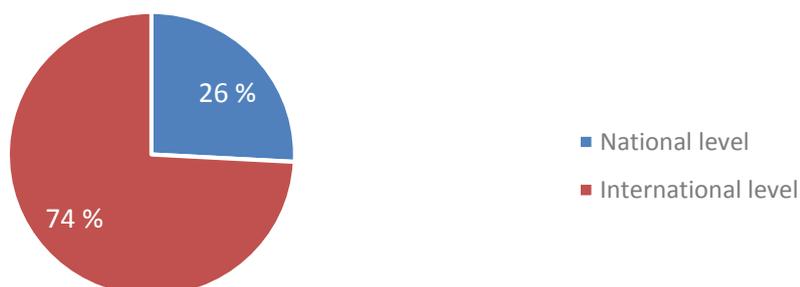
Geographically speaking, the activities of the Bulgarian R&I foundations in 2012 were realised mostly on a national level (three foundations – the Gavriysky Foundation; the D.A. Tsenov Foundation; and the SOS Contractors Foundation). Another two of the investigated foundations participated in activities on both a national and international level (the Human and Social Studies Foundation and the European Software Institute (ESI) Center in Eastern Europe Foundation) with one significant difference between them: while the expenditure on R&I of the first foundation was 80% to 20%. in favour of national activities, in the second case it was precisely the opposite (80 % to 20% in favour of international activities). It should be mentioned that here the level of the refusals to respond was again very high: five out of ten. In financial terms, this was from Lev 25 769 (EUR 13 181) to Lev 60 435 (EUR 30 913) on a national level, and from Lev 6 442 (EUR 3 295) to Lev 241 739 (EUR 123 652) on an international level (here the level of non-responses was extremely high: seven out of ten). Not one of the studied foundations participated (financial or other) in activities in the other member-states of the EU.

**Table 9: Geographical focus of support**

Geographical level	Amount in Euros
National level	86 407
International level	248 181
Unknown	73 927
Total expenditure on R&I	408 515

**Figure 19: Geographical focus of support**

As a percentage of total (known) expenditure on research and/or innovation (N=10)

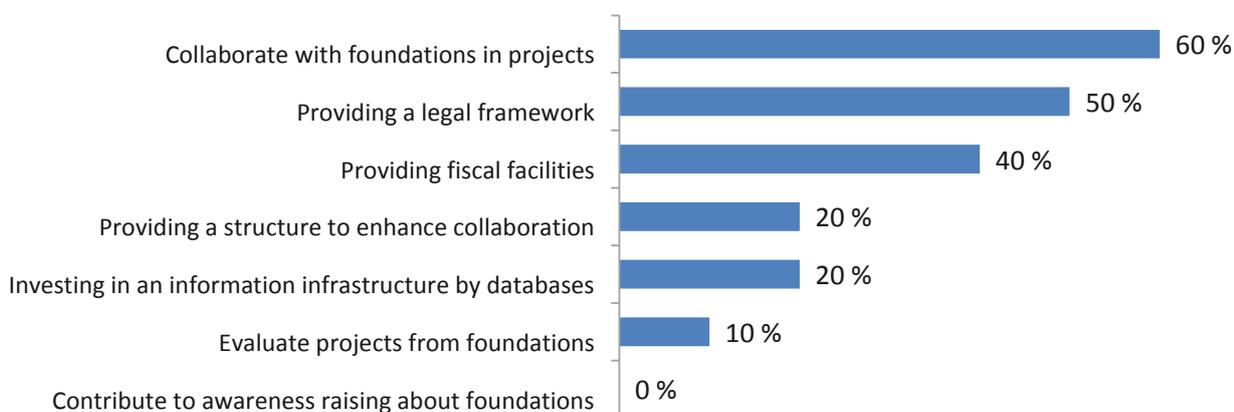


Concerning the role of the EU with regard to foundations, the participating Bulgarian R&I foundations agree on the following opinions:

- The EU should collaborate with the foundations on projects (six out of ten foundations).
- The EU should provide the (necessary) legal framework (five out of ten foundations).
- The EU should provide the corresponding fiscal facilities (four foundations).
- The EU should provide some kind of structure to enhance collaboration (two foundations).
- The EU should invest in an informational infrastructure which provides databases (two foundations).
- The EU should evaluate the (R&I) projects (one foundation).
- There is no role ascribed to the EU with regard to its contribution to awareness-raising about foundations – all the foundations agreed with this statement.

### Figure 20: The role of the European Union

As a percentage of the total number of foundations, multiple answers possible (N=10)



According to general opinion, the EU needs to pay special attention to fostering integration and supporting foundations that assist in R&I projects and activities. This means making more effort to raise awareness of the culture of foundations in the general population, to change negative attitudes and to possibly channel more EU funding through foundations. This may imply the direct 'adoption,' for example, of the smaller Bulgarian foundations by bigger and well-funded foundations from leading western European countries. Science is more and more an international endeavor; no single country is able to carry out fundamental research in all areas, and thus, each country needs international collaboration (CERN, for instance, with its large Hadron Collider is a good example, which is run by an international team consisting of the top experts in the field from many countries, including Bulgaria).

The managers of the Bulgarian R&I foundations insist that both the national political elite and the EU are definitely strengthening and prioritising their support for them (the R&I foundations from its member-states).

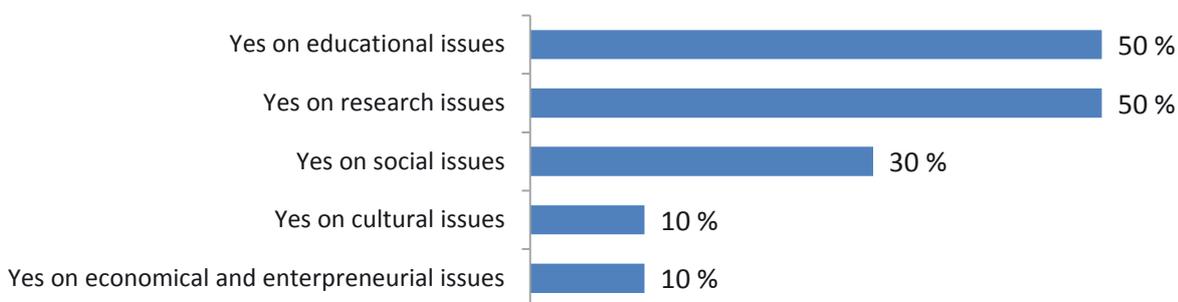
From the point of view of Bulgarian R&I foundations, their own role in European integration is in their contribution to:

- Integration on educational issues (e.g. encouraging and supporting the free movement of the academic community within Europe), five out of ten foundations.
- Integration on research issues (e.g. encouraging and supporting joint research projects within Europe), again five foundations.
- Integration on social issues (e.g. consistent living and working conditions), three foundations.
- Integration on cultural issues (e.g. the process of one culture transmitting the ideas, technologies and products of another), one foundation.
- Economic and entrepreneurial integration, one foundation.

It is clear that the studied Bulgarian R&I foundations as a whole see their contribution to European integration as active participation in these efforts, predominantly in the fields of research and education and to a lesser degree in the field of culture.

### Figure 21: Contribution to European integration

As a percentage of the total number of foundations, multiple answers possible (N=10)



## 3.6 Foundations' operations and practices

Concerning the preparation of Bulgarian R&D foundations' annual strategies, they are usually prepared by their governing boards, taking into consideration that in seven foundations the governing body is elected, in two the members are appointed, and only in one is the original financial founder himself/herself in charge. Bulgarian R&I foundations are invariably run by governing boards, whose numbers of members varies between two and nine, in most cases – seven members (three foundations). The majority of the investigated foundations only have a governing board; in only two of these is there also a supervisory board consisting of three members. Eight out of the ten investigated foundations have paid staff at their disposal professional, whose appointment varies greatly: from 1 to 32 weeks annually.

The main practices of those foundations which only provide grants (two out of the ten R&I foundations) are characterised by:

- A foundation demanding evidence of how their grants have been spent after the funded projects have been completed. This something which is 'always' practised by the foundations.
- A foundation waiting for applications from third parties, with no active call for proposals. This something which is 'almost always' practised by the foundations.

- A foundation conducting an evaluation to assess whether a grant has been successful and why. This something which is practised by the foundations 'always' or 'from time to time'.
- A foundation pro-actively searching for projects through competitive calls for proposals. This something which is practised by the foundations 'always' or 'from time to time'.
- Support from a foundation being on a long-term basis, i.e. a certain amount every year for a project for multiple years. This also is fairly widely accepted – 'almost always' or 'from time to time.'
- A foundation being involved in the implementation of the projects which it funds. This something which is practised by the foundations 'almost always' or 'from time to time.'
- A foundation supporting an organisation only once. This something which is practised by the foundations 'from time to time.'
- A foundation preferring 'small' grants for multiple organisations/individuals over 'large' grants for a few organizations/individuals. This is something which is practised by the foundations 'from time to time' or 'almost never.'

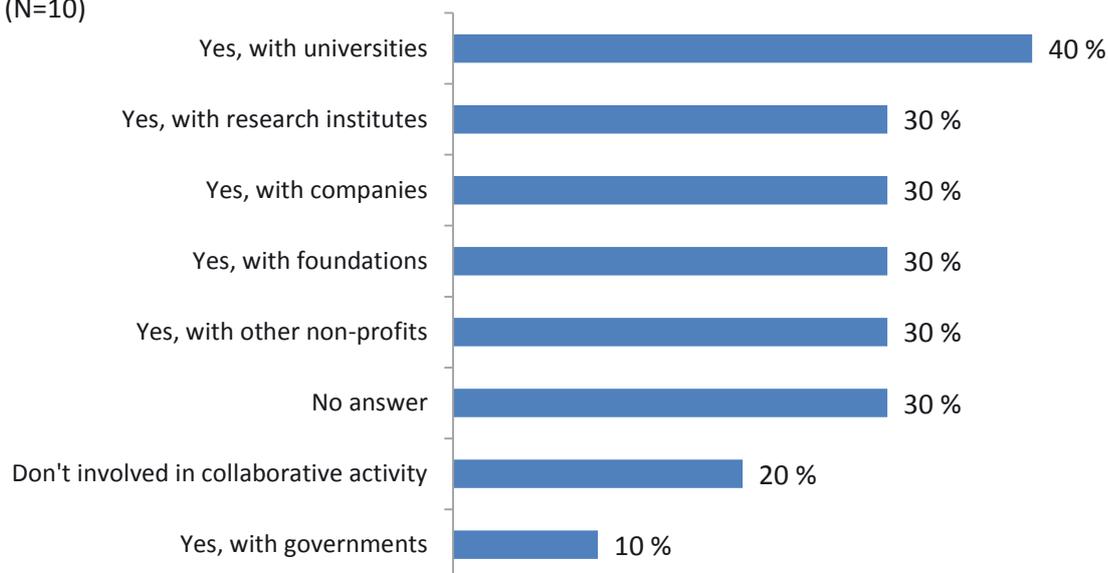
What is also characteristic of R&I foundations (not only in terms of grantmaking, but also operations) is the realisation of collaborative research activities in partnership with other representatives in the field of R&I (five out of ten of the investigated foundations). Only 2 of the foundations do not take part in collaborative activities; the remaining three did not respond.

Most frequently, partnerships are established and maintained with:

- Universities – four out of five foundations (the Gavriysky Foundation; the Applied Research and Communications Foundation; the D.A. Tsenov Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation).
- Other foundations – three out five (the Evrika Foundation; the Applied Research and Communications Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation).
- Research institutes – three out of five (the Evrika Foundation; the Applied Research and Communications Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation).
- Other non-profit organisations – three out of five (the Evrika Foundation; the Applied Research and Communications Foundation; the European Software Institute (ESI) Center in Eastern Europe Foundation).
- Private companies – three out of five (the Gavriysky Foundation; the Applied Research and Communications Foundation; and the European Software Institute (ESI) Center in Eastern Europe Foundation).
- The government – one out of five foundations (the Applied Research and Communications Foundation).

### Figure 21: Partnerships

As a percentage of the total number of foundations, multiple answers possible (N=10)



Some of the universities and research institutes with which the foundations have partnerships are as follows: the Central European University, Hungary; Fribourg University, Switzerland; the University of St. Gallen, Switzerland; the New Europe College, Romania; the Carnegie-Mellon University; the Bulgarian Academy of Sciences; the New Bulgarian University; Sofia University; the American University in Blagoevgrad; the Free University in Varna; the European Software Institute in Bilbao, Spain etc.

With regard to foundations, non-profits and other institutions: the Netherlands Institute for Advanced Study in the Humanities and Social Sciences, Wassenaar; the Swedish Collegium for Advanced Study in the Social Sciences (SCASSS), Sweden; Wissenschaftskolleg zu Berlin, Germany; the network of IAS; Fondation Maison des Sciences de l'Homme, France; the Centre for Liberal Strategies, Bulgaria; the Open Society Institute, Sofia; the Friedrich Naumann Foundation; the Goethe Institut in Bulgaria; the World Bank; the Vienna Insurance Group etc.

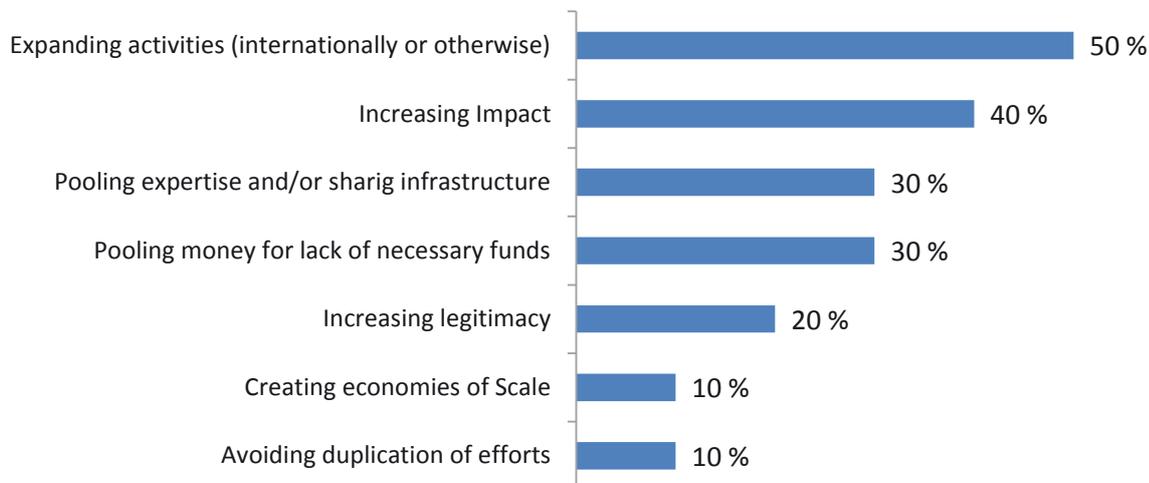
The relative strengths of the different motives of the R&I foundations in terms of their efforts in establishing and maintaining such partnerships (estimated by the frequency of their designation by the investigated foundations) are as follows:

- Expanding activities (internationally or otherwise) – five indicated motive (the other five did not respond).
- Increasing impact – four out of five.
- Pooling expertise and/or sharing infrastructure – three out of five.
- Pooling money for lack of necessary funds – three out of five.
- To increase legitimacy – two out of five.
- Avoiding duplication of effort – one out of five.
- Creating economies of scale – one out of five.

On this basis we can conclude that the leading motives for seeking partnerships are the striving for the expansion of their activities and increasing their impact.

**Figure 22: Motivations for partnership**

As a percentage of foundations, multiple answers possible (N=10)



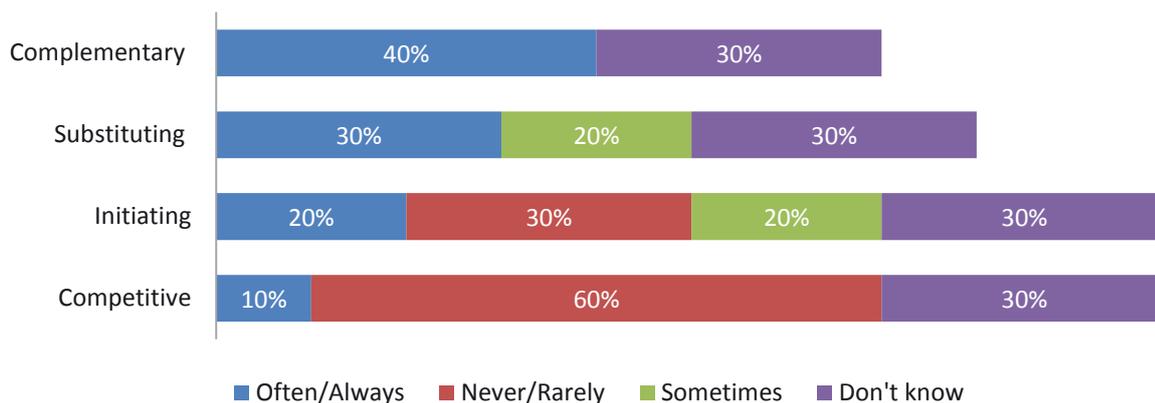
### 3.7. Roles and motivations

The foundations' role in the sphere of research and innovation can be seen in the following order of decreasing consent:

- Complementary to the public ones – four out of the seven foundations who agreed to answer this question 'almost always' defined their role as such.
- As a substitution for the public ones – three out of the seven foundations who agreed to answer this question 'almost always' defined their role as such, but according to two of these foundations it was only 'from time to time.'
- To a much lesser extent the foundations defined their role as initiating, i.e. as being oriented towards starting a project with the expectation that it will be taken up by other subjects – only two of them answered 'almost always;' two 'from time to time;' one 'almost never;' and two 'never.'
- To the least extent the R&I foundations defined their role as competitive, i.e. as oriented towards rivalry with other initiatives – four of the foundations answered 'never;' two 'almost never;' and only one saw itself as being 'always' in this role.

**Figure 23: Role of foundations**

As a percentage of total number of foundations (N=10)



Thus, it is realistic to accept that the R&I foundations in Bulgaria participate most of all in activities that are complementary to and/or substitute the public role. To a much lesser degree they play an initiating or competitive role in starting and competitively enforcing their own activities/initiatives over other participants' activities/initiatives. An additional indicator of their weaker role in and impact on the sphere of research and innovation is also the fact that almost one third of them (three out of ten) had serious difficulty in answering the question about the role they play in the R&I sector. This probably means that either they do not consider themselves as a leading or even an important factor in the R&I sector, or simply that for these foundations their support for research and innovative activities plays only a secondary, complementary role to the central object of their activity.

# 4 Innovative Examples

First of all, two words of caution are necessary. Hereafter, ‘innovative’ and ‘innovation’ are not used in their original and most precise meaning of creating something truly new on a global scale. What is actually meant by these terms in the present context is rather more modest: patterns of successful Bulgarian foundations integrating with the EU foundation network, and the transmission of advanced EU and global practices taking into consideration specific national characteristics. Bearing all this in mind, we will now draw attention to two (relatively) innovative Bulgarian foundations: the ARC Foundation and the ESI CEE Foundation.

## **The Applied Research and Communications Foundation (ARC)**

The role of the Innovation Program of the Applied Research and Communications Foundation can be found in the area of Technology Transfer.

The ARC Foundation provides a range of services that assist Bulgarian companies in identifying their technological needs, finding new partners for technological cooperation, and applying new technologies in different industrial sectors. Through its Innovation Centre unit, the ARC Foundation realises its objective of fostering the development of Bulgarian industry through the inward flow of technologies and know-how stemming from European industry and EU RTD programs, thus enhancing the competitiveness of industrial companies and their ability to respond to market challenges.

Under certain Framework Programmes (FP5/6/7), the ARC Foundation has implemented a range of projects in areas as diverse as the environment (Era Environment), energy (as a key area within the IRC-Bulgaria and Enterprise Europe Network), agri-food (Quality-Meat, SARA), the ICT (European IST, IS Bonus, GET-IN, Open TTT, NET-SHARE), transport (STAR-NET) and textiles (ITE, Fashion to Future). In all these projects the ARC Foundation works in close cooperation with key government agencies and local authorities in Bulgaria in defining national and regional innovation policies. Under FP6 the ARC Foundation has National Contact Points for the Innovation and SME programs, and under FP7 it has NCP for the Regions of Knowledge program.

Over the past few years the ARC Foundation has initiated and coordinated two Regional Innovation Strategy (RIS) actions for the south-central and the southwestern Regions in Bulgaria (DG Enterprise); a pilot Technology and Innovation Foresight for Bulgaria and Romania (DG Research) project in the areas of biotechnology and e-government; a DG-contracted project known as ForeIntegra – Integrating Foresight in Research Infrastructure Policy Formulation (DG Research); and a project known as TransBonus – Transport EU-Western Balkan Network for Training, Support and Promotion of Cooperation in FP7 research activities (DG Research).

## Current projects and activities

The NOW-HUB project on 'Enhancing regional competences in the strategic management of innovation policies' (INTERREG IV), which makes up for a shortage of knowledge, skills and experience in European regions in designing and implementing smart and effective strategies for innovation.

The Fostering Evaluation Competencies in Research, Technology and Innovation in the SEE Region (EVAL-INNO) project. The overall objective of the project is to improve the national and regional RTDI evaluation capacity in southeastern Europe in order to ameliorate the efficacy of the RTDI activities and to maximise their benefits for the economy and society.

In March 2011 the ARC Foundation became involved in the highly innovative Parliaments and Civil Society in Technology Assessment (PACITA) project, which is supported by the EU's 7th Framework Programme, and is one of 15 partners from 13 European countries. In committing to this project, the ARC Foundation's ambition is two-fold: first, to introduce the concept of (parliamentary) technological assessment (TA or PTA), particularly with regard to enhancing the understanding of scientific and technological innovations among policy-makers and the general public; and second, to mobilise the relevant stakeholders in terms of recognising the role of knowledge in devising sound policy.

## The European Software Institute Center in Eastern Europe Foundation (ESI CEE) Current projects

SEMP: The Software Engineering Management Program – a project initiated by the European Software Institute Center in Eastern Europe Foundation; funded by USAID (Bulgaria) and the America for Bulgaria Foundation; in partnership with the Carnegie Mellon University (SCS, SEI), Sofia University (Faculty of Mathematics and Informatics), the Technical University Sofia, the New Bulgarian University, the American University in Bulgaria, and other leading Bulgarian universities. The goal of this project is to provide contemporary content and training courses on software engineering and IT service management, with a special focus on modern training methods and styles. The SEMP project is an excellent example of integration and synergy between industrial and academic institutions, supporting organisations and donors in order to implement innovative training and educational methods in Bulgarian universities which educate IT graduates. A group of pilot core courses is already under development and being implemented in partnership with the Software Engineering Institute of the Carnegie Mellon University (SEI-CMU, Pittsburgh, USA). The program relies on building local capacity through a 'train-the-trainer' component – a qualification for Bulgarian trainers, leading professors and assistants, under the coaching of SEI-CMU and ESI lecturers. The successful implementation of the pilot project will establish the basis for the introduction of an internationally recognised Master's degree program in partnership with the Software Engineering Institute of the Carnegie Mellon University;

The development of and piloting a model for the occupational training and employment of disabled people in the ICT sector – an initiative expressing IT companies' willingness members of BASSCOM (Bulgarian Association of Software Companies) to provide employment for people with disabilities in the IT sector. ESI CEE, in collaboration with the Autism Association and BASSCOM, are updating this idea as a model for the training and employment of people with ASD (Autism Spectrum Disorders) in the IT field.

# 5 Conclusions

To sum up, the development of most Bulgarian R&I foundations seems to have been limited so far by the weakness of their institutional identities and the poor socio-economic environment. Both these deficiencies are reflected in the immaturity of their self-confidence and their work-ethics. This is clear even in their attitude towards this study. With very few exceptions, the foundations were reluctant to cooperate and were not accurate when fulfilling previously undertaken obligations, especially with regard to information on financial sources and expenditure. Indeed, a considerable portion of the studied R&I foundations, who had agreed to participate in our investigation and to complete the questionnaire, later ignored this agreement fully or partially (most often regarding sensitive financial information).

In some cases, this self-defensive, 'closure' tendency was so strong that it created associations with 'twilight zone' economic activities. What is no less impressive, although understandable, was the propensity of most of the R&I foundations to simply imitate practices of other, more advanced European foundations in their field, without serious efforts to find their own, truly original and/or national-specific solutions. Against this background, the most positive achievement of the Bulgarian R&I foundational sector so far is perhaps its historical restoration: the development of a legislative and institutional framework that protects and encourages their existence and viable functioning; the first steps towards their integration into the pan-European web of R&I foundations. There is no doubt that these developments represent an important change in the right direction, especially if compared with the situation in some of the post-Communist European societies.

What are our recommendations for overcoming an identity crisis and for stimulating the work ethics of R&I foundations in Bulgaria? First, to make the Bulgarian political elite more aware of the key role of science and innovation per se and, particularly, of the R&I foundational sector in the country. Second, to urge that the EU be more involved in the future of R&I foundations in the post-Communist European countries, including collaboration on projects, providing a common legal framework and financial support, ensuring a culture of widening collaboration, helping the process of evaluating projects and investing in the informational infrastructure of the region.



Cyprus Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Dionysios Mourelatos

Research and  
innovation



# **Cyprus Country Report**

EUFORI Study

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National and Kapodistrian University of Athens



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# 1 Contextual Background

## 1.1 The historical background

There is a long tradition of philanthropy in Cyprus. The concepts of altruism, expressions of kindness and ‘helping one another’ have been features of Cypriot society since antiquity and still feature to this day. As in most countries, socio-economic, cultural, religious, political and other factors have all shaped the scope and nature of voluntary and philanthropic activity on the island.

Christianisation and the establishment of the Church of Cyprus in 45 AD led to some organisation of philanthropy and charity, especially during periods of hardship, destitution and deprivation. In medieval times, Cyprus was passed to a series of foreign rulers (Franks, Venetians and Ottomans) and the Church became an important provider of social welfare as well as political representation.

The Republic of Cyprus was established in 1960, following a struggle for independence from British colonial rule. The British governed the island from 1879 and set the foundations of the Cypriot welfare state by establishing a civil service and public institutions and services. <sup>[1]</sup>

After the establishment of the Republic of Cyprus in 1960, mostly rich ship-owners and other wealthy Cypriots started philanthropic activities. The history of Cypriot philanthropy is strongly connected to the traditions of philanthropy in Greece, where there is a long tradition, even from the Byzantine period. <sup>[2]</sup> Furthermore, after the independence of Greece (1830) a lot of wealthy Greeks, especially from the Diaspora funded the construction of public buildings and/or supported special events such as the first modern Olympic Games, which took place in Athens in 1896. <sup>[3]</sup> The wealthy merchants of the Diaspora supported also philanthropic activities in Cyprus, although Cyprus was a much more agricultural society and the role of the Church was much stronger compared to Greece. <sup>[4]</sup> During the period of British colonial rule there was an attempt to implement the British educational system. <sup>[5]</sup> However, the Cypriot Church and monasteries supported the Greek educational system more financially. <sup>[6]</sup>

Although, we cannot follow the historical development of the establishment of new R&I foundations due to a lack of data, it seems that during the last four decades a lot of new foundations have been established.

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1 [http://ec.europa.eu/citizenship/pdf/national\\_report\\_cy\\_en.pdf](http://ec.europa.eu/citizenship/pdf/national_report_cy_en.pdf) (Last accessed 1 September 2014).

2 Tsodoulos (2010).

3 Beneki (2013).

4 Tsodoulos (2010: 103-4).

5 Ierokipiotis (1992: 276).

6 Ierokipiotis (1992: 286).

However, a significant number of them – the newer foundations – have become inactive over the last five years since the financial crisis.

## 1.2 The legal and fiscal framework

The Ministry of the Interior and the Ministry of Finance <sup>[7]</sup> are responsible for registering, monitoring and controlling all the types of foundations in Cyprus. The foundations in Cyprus function under a Law established in 1972 which was modified in 1997 (57/1972) <sup>[8]</sup>. However, the Law makes no distinction between associations (founded by at least 20 persons) and foundations that concern the management of a fund for philanthropic reasons. <sup>[9]</sup> A register for both societies/associations and foundations is kept at the Ministry of the Interior. <sup>[10]</sup>

More specifically according to the Law there are the following distinctions:

1. Charitable trusts, which are governed by the Charities Law, Chapter 41. It is meant for public benefit purposes.
2. Societies and Associations, which are governed by the Societies and Associations Law 57/72. The Council of Ministers appoints a Registrar regulating the registration of Societies and Associations. A Society/Association is defined in the 1972 Law as an association, which can be founded by at least twenty people for non-profitable purposes. Societies and Associations can pursue both public and private purposes as per the will of the founder, and these purposes shall be specified in the Act of Incorporation.
3. Companies Limited by Guarantee, which are governed by the Companies Law, Chapter 113. In the majority of cases these Companies are incorporated as non-profit-making organisations under section 20 of Chapter 113. These companies can pursue both public and private purposes.

Any type of donation is acceptable. There is no limit on the tax incentives, and the whole amount of the donation can be deducted. This is, however, subject to certain conditions, which are examined on a case-by-case basis.

In the event of a loss which took place during the year of the grant or the donation, any part of the loss suffered equal to the level of the total grant or donation amount will not be carried forward and will not be consolidated with the income of future years. <sup>[11]</sup>

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7 [http://www.mof.gov.cy/mof/ird/ird.nsf/dmlcharity\\_gr/dmlcharity\\_gr?OpenDocument](http://www.mof.gov.cy/mof/ird/ird.nsf/dmlcharity_gr/dmlcharity_gr?OpenDocument) (Last accessed 1 September 2014).

8 [http://www.cylaw.org/nomoi/enop/non-ind/1972\\_1\\_57/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1972_1_57/full.html) (Last accessed 1 September 2014)

9 See further Emilianidis (2008).

10 <http://www.moi.gov.cy/moi/moi.nsf/All/EB27634CFA8868DAC2257B5D002CAF58> (Last accessed 1 September 2014).

11 [http://www.efc.be/programmes\\_services/resources/Documents/cyprus.pdf](http://www.efc.be/programmes_services/resources/Documents/cyprus.pdf) (Last accessed 1 September 2014)

## 1.3 The foundation landscape

As it was previously mentioned in Cypriot Law, there is no division between the different legal statuses. Recently, however, there was a division in this online register between foundations and societies/associations. The foundations on the present register of the Cypriot Ministry are 355 in total. <sup>[12]</sup> The majority of them, however, are inactive, especially after the financial crisis. It is difficult to draw conclusions about the number of foundations that support research and/or innovation in Cyprus, because of the lack of detailed databases. In general, it can be said that the majority of the foundations focus their interest on the promotion of cultural heritage, or cultural events in general. In other cases their main goal is the relief of the effects of humanitarian crises, which have increased since the financial crisis. Research and innovation is low on the list of priorities of foundations in Cyprus with a few exceptions such as the Leventis Foundation.

Different types of foundation can be distinguished in Cyprus. Below, a few types are set out together with an example of each type.

### Foundations affiliated to nonprofit institutions

The Cyprus Institute. This Institute operates under the aegis of the Cyprus Research and Educational Foundation (CREF), which is governed by a Board of Trustees comprised of leading personalities from the international academic, political and business world.

### An example of a corporate foundation

Since its establishment in 1984, the Bank of Cyprus Cultural Foundation has developed a wealth of activities, in keeping with the objectives originally outlined for the Cultural Foundation by the Bank of Cyprus. The Foundation's main strategic aims are to encourage the research and study of Cypriot civilisation in the fields of archaeology, history, art and literature, as well as to preserve and disseminate the cultural and natural heritage of Cyprus, with a particular emphasis on the international promotion of the island's centuries-long Greek civilisation.

### An example of a private donor driven foundations

Established in May 1979, the A. G. Leventis Foundation is the result of the vision of the Cypriot entrepreneur Anastasios G. Leventis (1902-1978), who laid the foundations of its focus on society, education and culture. It supports activities relating to the protection of cultural heritage in Cyprus, Greece and worldwide, which are concerned with, however, Greek cultural heritage; it also supports modern culture and recently it has supported activities relating to the humanitarian crisis in Cyprus, Greece and the third world.

The European University Cyprus developed out of the Cyprus College, which was founded in 1961 by Ioannis Gregoriou. Its purpose was to provide a well-rounded education of a high calibre, so that students acquire the necessary academic and practical knowledge in their fields of study.

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12 <http://www.moi.gov.cy/moi/moi.nsf/All/EB27634CFA8868DAC2257B5D002CAF58> (Last accessed 1 September 2014).

The following case falls between these categories since it was founded by a corporation but was driven by the interests of its donor; the Tsirides Foundation was founded by the AmaroX corporation. AmaroX was created in 1979, first as a trading company engaged in the trade of construction materials. With the opening of the Prehistoric Treasures Store, the company was engaged in buying and selling collector fossils and minerals. Since then, AmaroX stopped all its other activities and focused solely on this. It is a prime company that has introduced all the findings of both the Foundation and the Prehistoric Treasures Store. Its decades of engagement with the world of palaeontology and archaeology has led this year to the need for the creation of a nonprofit entity, which deals with a more systematic and organized promotion of science, knowledge and entertainment, as offered by the above areas.

With the launch this year by the media of its very large collection of minerals, crystals and fossils, the enormous interest in whoever comes into contact with this collection became clear to the founders. The need for establishing a Cyprus Museum of World Natural History is part of their future plans.

Finally, they decided to establish The Tsirides Foundation; an institution which will work to promote the idea of the creation of the Cyprus Museum of World Natural History, but also to organise events, activities, seminars, exhibitions and publications with the sole purpose of promoting scientific knowledge and the value of knowledge in the areas of palaeontology, archaeology and evolution and culture in general on our planet.

The Tsirides Foundation seeks cooperation with the Ministry of Education and other relevant organisations in Cyprus and abroad, so that a knowledge of prehistory will not remain unknown and obscure. It offers a variety of activities and opportunities to children and parents who come into contact with the fascinating subject of evolution, while at the same time being entertained and becoming more creative. The main aims and objectives of the Tsirides Foundation, as listed in the Foundation's Constitution, is none other than the organisation and implementation of several activities that will directly promote all scientific and creative ways possible. They seek cooperation with anyone that respects and embraces the need for innovative activities in Cyprus in the field of prehistory, evolution and culture.

### **An example of a public foundation**

The Research Promotion Foundation (RPF) was established on the initiative of the Government of the Republic of Cyprus to promote the development of scientific and technological research in Cyprus. The Foundation's core objective is the promotion of scientific and technological research in Cyprus. The Foundation has developed a wide range of activities throughout its ten-year presence in the research field in Cyprus. These fall into two main categories: a) Financing Research Projects through the Development and Monitoring of Competitive Programme, and b) Managing European Research and Innovation Projects and the Promotion of International Cooperation in Research and Innovation.

## 1.4 Research/innovation funding in Cyprus

In Cyprus the major contributor to research and/or innovation activities has been the European Union through national framework programs during the last decade. The role of foundations is small in this specific sector; however, the Leventis Foundation is an exception which funds and strongly supports research in Cyprus.

The research and innovation system in Cyprus is relatively new. It has evolved mainly over the last two decades and relies predominantly on public expenditure. In 2009, 69 % of the total R&D expenditure (GERD) was financed by the government, the highest percentage in the EU, and considerably above the EU average of 34.9 %. There is indeed a persistent problem of under-investment in research and innovation by the business sector. Business R&D expenditure (BERD) as a % of the GDP was equal to 0.09 % in 2010, the lowest level in the EU. <sup>[13]</sup>

Research and Development expenditure did not increase in the following years; it was 0.49 % in 2011 and 0.46 % in 2012. Moreover, according to the data provided for 2012, the business enterprise sector represented 0.06 % of the GDP, the government sector 0.08 %, the higher education sector 0.26 % and the private nonprofit sector 0.06 %. <sup>[14]</sup>

The National Research and Innovation Strategy (2011–2015) is still in its preparation stage. The Cyprus authorities consider that the absorption capacity of Cyprus in the field of R&D is limited, and that it is better to encourage the development of existing products in an innovative way. Non-technological innovation as well as innovation in services could be real options for Cyprus. <sup>[15]</sup>

In 2010 the government budget for R&D totalled 0.46 % of the GDP, as compared with the EU average of 0.76 %. In 2009, 12.1 % of R&D was financed from abroad compared to an EU average of 8.4 %. The main source of foreign funding has been the EU Framework Programme for Research and Technological Development (FP7). Cyprus has also been successful in raising funds from the FP7. Around one third of the EU funds raised by Cypriot participants through the FP7 up to February 2012 was directed to SMEs, or EUR 18.7 million out of EUR 52.55 million. Cyprus has the most FP7 collaborative links with the United Kingdom, Germany and Greece. <sup>[16]</sup>

The national scientific landscape does not provide enough room for large research infrastructures. However, due to the strong performance of its ICT and computing base, Cyprus places a particular emphasis on

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13 [http://ec.europa.eu/euraxess/pdf/research\\_policies/country\\_files/Cyprus\\_Country\\_Profile\\_RR2013\\_FINAL.pdf](http://ec.europa.eu/euraxess/pdf/research_policies/country_files/Cyprus_Country_Profile_RR2013_FINAL.pdf)  
(Last accessed 1 September 2014).

14 [epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsc00001&language=en](http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsc00001&language=en)  
(Last accessed 1 September 2014)

15 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus_2013.pdf)  
(Last accessed 1 September 2014).

16 [http://ec.europa.eu/euraxess/pdf/research\\_policies/country\\_files/Cyprus\\_Country\\_Profile\\_RR2013\\_FINAL.pdf](http://ec.europa.eu/euraxess/pdf/research_policies/country_files/Cyprus_Country_Profile_RR2013_FINAL.pdf)  
(Last accessed 1 September 2014).

e-infrastructure. Cyprus participates actively in the FP7, and recent results confirm its successful participation in the ICT programme in particular. <sup>[17]</sup>

In terms of research output, Cyprus is underperforming. In 2010 Cyprus had the fourth lowest number of scientific publications in the EU ahead of Luxembourg, Latvia and Malta. However, Cyprus had the second highest average annual growth rate in the EU after Luxembourg in numbers of scientific publications between 2000 and 2010.

Bibliometric indicators between 2000 and 2009 on information and communication technologies (ICT) as a FP7 thematic priority, show that Cyprus has one of the highest specialisation index values at 2.59. In addition, the collaboration index for information and communication technologies (ICT) at 1.44 for Cyprus is the highest level in the EU.

The growth index for Cyprus in the field of materials (excluding nano-technologies) is also very high. Cyprus, together with Israel and Denmark, has the highest ARIF score (the average of relative impact factors) in this field.

The low level of innovation in Cyprus is linked to its specific economic structure, which has a limited capacity to increase private research and innovation. The government is making efforts to support a more active involvement of businesses in innovation activities by introducing new subsidy schemes for enterprises.

The performance of Cyprus in four out of the five indicators which make up the index of the economic impact of innovation is slightly above the EU average: the contribution of high- and medium-tech products to the trade balance, knowledge-intensive services exports, employment in knowledge-intensive activities, and sales of new-to-market and new-to-firm products. The resulting index value is below the EU average due to the very low performance of Cyprus in patents inventions.

Cyprus has allocated only around 18 % of its available Structural Funds (2007-2013) under the operational programme for 'Sustainable development and Competitiveness' to knowledge, society and innovation. As a result of a limited institutional capacity to absorb these funds, the Cypriot authorities have indicated their intention to redirect a part of this already limited share to other priorities.

The Cypriot economy is dominated by very small family-run enterprises with a limited export capacity. This economic structure does not favour R&D. The Cypriot economy is dominated by the service sector; mainly tourism, transport and finance, with manufacturing representing only around 7 %.

Structural changes towards more research-intensive economies are in general driven by the high- and medium-to-high-tech manufacturing sectors. In Cyprus, there are three of these sectors: machinery and equipment, chemicals and chemical products, and electrical machinery and apparatus. The following three

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<sup>17</sup> [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus_2013.pdf)  
(Last accessed 1 September 2014).

manufacturing sectors have increased their effect on the economy: construction, other non-metallic mineral products and fabricated metal products, which also had the highest growth in research intensity. <sup>[18]</sup>

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18 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/cyprus_2013.pdf) (Last accessed 1 September 2014).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The criteria for the identification of the foundations that support R&I was based on information from the press and the Internet, since there are no registers or databases online or locally. Moreover, the philanthropic studies is not an academic discipline in Greece or Cyprus, and therefore the academic literature on this issue remains limited. <sup>[19]</sup> The educational system in Cyprus mainly follows the UK system, but in some aspects in follows the Greek the system. This research was limited to the Internet and the press in order to verify the activities of some foundations; the information found in the press confirmed that they remain active. On the contrary, in other cases some foundations revealed that were no longer active. At the Ministry of Finance there is online information only in the form of an address book, which is not, however, sufficient. Therefore, it was necessary to search further online about foundations by using websites that mention potential scholarships or prizes for researchers (these were used as keywords). Moreover, we did a search for foundations with keywords such as ‘foundation’ or ‘foundations for research and innovation’ in Greek. The keywords used were ‘foundation’, ‘scholarship’, ‘research’ and ‘innovation’. Moreover, there are some editions that are dedicated to the activities of specific foundations. There is also a book on nautical endowments on the island of Andros, which contains an introduction to philanthropy in the 19th and 20th centuries in Greece. <sup>[20]</sup> The criteria for the identification of the foundations that support R&I was based on information from the press and the Internet. The foundations located in Cyprus totalled 355, but almost 100 of them were excluded, because they did not fit the following criteria:

The criteria for the selection of the foundations were:

- Foundations that support research.
- Foundations that support innovation.
- Foundations that support research and innovation.
- Foundations with unclear purposes.

## 2.2 The survey

Following the above-mentioned criteria we sent the online questionnaire to 99 foundations and the postal questionnaire to 151 foundations.

Out of the 250 foundations in Cyprus, which is the total number of foundations that could be identified during the present research. In some cases it was not possible to consider whether they supported re-

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<sup>19</sup> There is one old unpublished PhD thesis, and the rest of the publications are concerned with the history of specific foundations or the history of their founders. See Tsakouris (1995) and the rest of the bibliography.

<sup>20</sup> Beneki (2013).

search and innovation or not, and therefore it was decided to also send the questionnaire in these cases. In other cases it was clear that the foundations did not support research and/or innovation and so the questionnaire was not sent to them. Therefore, out of a total of 355 foundations the questionnaire was sent to 250 foundations with limited expectations in some cases. Out of this number only 30 responded and 7 identified themselves as foundations that support research and innovation. However, the biggest foundations in Cyprus did not answer the questionnaire. The result of the online survey was not very representative of the types of foundation in Cyprus. It seems that the foundations with the biggest impact in research and innovation prefer not to give financial data, and therefore the foundations that responded to the questionnaire were not representative at all.

## 2.3 The interviews

Due to the poor results of the survey, interviews were conducted or information was taken from the Internet about the major foundations and different types of foundations.

The selection of the interviewees was based on the preliminary information on the major types of R&I foundations. In order to conduct an interview with a representative from all the most important kinds of foundations, I selected potential interviewees from every major type.

The list of the selected foundations is as follows:

1. Very large grantmaking foundations with international prestige: the A.G. Leventis Foundation.
2. Very large operating foundations mainly financed (and more or less controlled) by the national government: the Research Promotion Foundation (RPF).
3. Grantseeking foundations closely connected to a state-run research institute, hospital, university or university department. Their main activity is to raise funds in order to support research in public institutions: the Cyprus Institute.
4. Foundations mainly or exclusively dealing with the education or seeking funds for research: the European University Cyprus (EUC).
5. Foundations mainly or exclusively dealing with the dissemination of research findings: the Bank of Cyprus Cultural Foundation.
6. Foundations supporting outstanding scholars and/or very talented young researchers through giving highly prestigious awards: the Cyprus State Scholarship Foundation.
7. Corporate foundations supporting research and innovation in the field its founder is interested in: the Tsirides Foundation.

# 3 Results

## 3.1 Types of foundations

There are all types of foundation in Cyprus. More specifically, endowments that are ruled by municipalities, church authorities or universities and independent foundations. Unfortunately, the data collected from the online survey cannot support a presentation of absolute figures or percentages representing the population of foundations in Cyprus. However, there are independent foundations that are considered to belong to the most prestigious and influential foundations in Cyprus. The majority of them depend on business industries (shipping, real-estate, banking and so on).

Seven foundations (of the 30 in total that answered the questionnaire) support research and innovation. Moreover, the same foundations are operating rather than grantmaking foundations. These foundations are private.

As specified in section 2.3, there are different types of foundation in Cyprus. The types of foundation that responded to the survey can be categorised in the following way:

- Large grantmaking foundations (1).
- Large operating foundations financed by the national government (1).
- Grantseeking foundations closely connected to a state-run institute.
- Corporate foundations.
- Operating foundations with a specific limited research focus (3).

### Examples of operating foundations

The Cyprus Institute comprises three specialised multi-disciplinary research centres, developed in partnership with leading international institutions in their respective areas.

The Energy, Environment and Water Research Centre (EEWRC) partnered with the Massachusetts Institute of Technology (MIT).

The Science and Technology in Archaeology Research Center (STARC) partnered with the Centre de recherche et de restauration des musées de France (C2RMF)

The Computation-based Science and Technology Research Center (CaSToRC) partnered with the University of Illinois.

In the European University of Cyprus there are the following centres: the Centre for Applied Research, the Centre for the Study of Childhood Adolescence, the Ermis Research and Incubator Centre and the Institute of Social and Political studies (with purpose of promoting research).

## 3.2 Origins of funds

Although we have very few data about the origins of the funds, it seems that most often the foundations in Cyprus were founded by other nonprofit organisations (five cases) rather than individuals or families (two cases). Furthermore, the annual strategy of foundations is most often decided by a board of elected members (eight cases) rather than a board of appointed members (one case).

Based on the answers to the survey the total income was EUR 178 036. This amount comes from endowments (EUR 20 468) and from donations from other nonprofit organisations (EUR 157 568). However, it seems that four of them rely on services or fees to fund their activities, three of them depend on the government to support them, three rely on donations from other nonprofit organisations, two from endowments and just one from an individual. This total amount came from profit-making organisations. However, there is an undefined amount used by other foundations that did not answer the previous question about the total amount; their income comes from individuals (one case), from endowments (two cases), other nonprofit corporations (one case), from the government (two cases), services or fees (one case) and from other sources (one case).

### An example of a grantmaking foundation

The Cyprus State Scholarship Foundation supports Cypriots and foreigners in order to do their studies in Cyprus and abroad (graduate, post-graduate and doctoral studies). Through this foundation the scholarships from foreign countries and international organisations are given to Cypriot citizens as a result of international or bilateral agreements. Since the academic year 2009-10, after the financial crisis, the numbers of given scholarships have gradually been reduced. More specifically, out of a total of 848 in 2009-10, in 2013-14 only 630 scholarships were given out (525 for graduate studies, 80 for post-graduate and 25 for doctoral studies) in all the academic disciplines.

## 3.3 Expenditure

This needs to be clarified, as from the abovementioned amount only a total of EUR 32 602 was mentioned. 77.5 % was related to research, 9.7 % was related to innovation and 12.8 % went to other purposes. Of the amount spent on research, 90 % was related to direct research activities and 10 % to research-related activities. Applied research was funded over basic research (80 % to 20 %).

When this expenditure is compared to last year's expenditure, there is a change in the amount of funding in only in one case, with a decrease by 40 %, which it is expected to decrease even more down to 30 %. There are two cases where the expenditure level remained the same and is expected to remain the same. One case expected their funding to be discontinued.

### 3.4 Focus of support

The focus of support based on the survey is not clear. The scientific fields are almost all equally represented; only in medical and agricultural science does there seem to be more focus, while there is no reference for engineering/technology and the humanities. However, the sample from the interviews makes sure that there is also a more intense focus on the Humanities.

#### An example of focus of support

The aims of the Cultural Foundation of the Bank of Cyprus, which are connected to Cypriot interests, are met by placing particular importance on the research of primary and other sources in the fields of archaeology, history, and art and literature. The Collections of the Cultural Foundation provide the main source for the development of these programmes, which are eventually published by the Cultural Foundation.

The amount spent on research in 2012 was equally distributed between different research-related activities (research mobility and career development, technology transfer, science communication/education), with a focus, however, on the dissemination of research and the amounts spent on infrastructure and equipment.

### 3.5 Geographical dimensions of activities

On a regional/local level only in one case is there a percentage (30 %) of research-related activities. However, this outcome is related to the poor response rate. There is another case with a 95 % of its activities on the national level and the rest on the EU level, probably in Greece but this has not been clarified.

In general, only the A.G. Leventis Foundation is active internationally, and other foundations are present in Greece. However, the majority of them are active on a national level as a result of the small territory of Cyprus.

The European Union is expected more to provide a structure to enhance collaboration, and less to provide fiscal facilities. Moreover, the EU is also expected to invest in an information infrastructure through databases, to contribute to awareness raising about foundations, to evaluate projects from foundations and to collaborate with foundations in projects.

#### An example of collaboration between foundations and research institutes

The Leventis Foundation, within the framework of supporting academic research, co-financed for the period 2012-2014 a project coordinated by the University of Crete and the Natural History Museum of Crete, which joined forces with other environmental organisations in Greece, Spain and Portugal – Arc-turos, Fundacio'n Gypaetus, Quercus and Centro de Estudios da Avifauna Iberica (CEAI) – in the fight for the eradication of the illegal use of poisoned baits, the main cause of non-natural deaths for a number of highly endangered species in

the European Union. This international LIFE+ biodiversity project, titled 'Innovative Actions Against Illegal Poisoning in EU Mediterranean Pilot Areas', is being implemented through the period October 2010 – September 2015. The project aims to evaluate and spread the effectiveness of several innovative actions based on voluntary agreements with the main rural groups associated with the issue of illegal poisoned baits (municipalities, hunters, stockbreeders and so on).

### **3.6 Foundations' operations and practices**

In the majority of cases foundations are ruled by a board with elected members; there are also cases of governing boards with appointed members. Based on the given answers (only two) they are engaged in partnerships with other foundations, universities, research institutes, government services, other non-profit organisations (in two cases), and hospitals and other foundations (one case each). These partnerships are created in order to pool expertise and/or share infrastructure, to increase impact, or create economies of scale.

#### **Examples of the types of governance of an institute**

The Cyprus Institute's governance structure includes the CREF Board of Trustees, the CREF Executive Committee and its President. The Scientific Advisory Council and the Scientific Expert Panels have advisory roles.

CyI's senior authority rests with the internationally acclaimed CREF Board of Trustees, which is responsible for guiding and assessing the effective implementation of the Institute's vision and mission. The Board currently comprises leading personalities from the international academic, political and business world. The Board is supported by the Scientific Advisory Council, which provides advice and recommendations on strategic research matters and priorities.

The strategic decisions taken by the Board of Trustees regarding the development of the CyI necessitate follow-up actions which are pursued by the Executive Committee. The Executive Committee provides guidance for the management of the Institute for furthering its progress on all levels.

In order to exercise a scientific overview and steering for its research centres, the CyI President relies on the specialised advice of the Scientific Expert Panels (one for each of the three research centres). They provide independent scientific advice related to the development of the research Centres.

### **3.7 Roles and motivations**

The foundations see their role in the support of research and innovation mainly as complementary to public support, and only in some cases do they consider themselves as initiating, and even less as substituting or competitive.

# 4 Innovative Examples

In this chapter examples of foundations are presented that more or less support research and innovation in Cyprus. However, innovative examples are very scarce due to the small impact of foundations in research and innovation and the small scale of Cyprus itself.

## **The A.G. Leventis Foundation** <sup>[21]</sup>

Its activities range from the reconstruction of a large number of classical, Byzantine and post-Byzantine monuments, the enrichment and presentation of Cypriot antiquity collections in museums around the world, the systematic granting of scholarships, and the sponsorship of nature conservation and sustainable development projects in southern Europe, Africa and worldwide. The A. G. Leventis Foundation is the outcome of the vision of the Cypriot entrepreneur Anastasios G. Leventis (1902-1978), who laid the foundations of its focus on society, education and culture.

This Foundation has retained its adherence to these priorities, keenly supporting the dissemination of Greek and Cypriot cultural heritage, as well as extensive public benefit programs, pioneering environmental protection projects and medical research. The main innovative example for the support of research by the A.G. Leventis Foundation is the support of chairs worldwide related to Greek culture. More specifically there is the A. G. Leventis Post-doctoral Research Fellowship in Ancient Greek Literature at the University College in London and at the Ana'huac University in Mexico. The A. G. Leventis Ana'huac Chair of Cyprus was established in 2011 in order to promote the study of Cypriot culture, history and traditions in Mexico through academic research, cultural events and publications. Moreover, it supports an MA in Heritage Management. This an intensive three-semester post-graduate programme, which uniquely combines the worlds of archaeology and business and is taught in Greece at Eleusis, coordinated by the University of Kent. Support for the A. G. Leventis Foundation aims to ensure the sustainability of the programme for three years.

Moreover, the A. G. Leventis Foundation has also supported short-term post-doctoral research in different academic disciplines. <sup>[22]</sup>

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21 <http://www.leventisfoundation.org/en/> (Last accessed 1 September 2014).

22 The Leventis Foundation (1998: 181).

# 5 Conclusions

## 5.1 Main conclusions

The tradition of philanthropy in Cyprus is strong and is connected to business activities there. Additionally, philanthropic traditions are also connected to both community and church authorities.

The financial crisis caused some foundations to cease their activities. These were mostly dependent on state funding, or in some cases on the funding of enterprises that saw their profits decrease.

Therefore, the foundation sector supporting research and innovation initiatives is small and not that significant in terms of R&I funding in Cyprus. The main sources of income for R&I funding in Cyprus are the state budget, EU programmes and some private investment funds.

Public benefit grantgiving organisations are mostly focused on research and innovation in public benefit areas such as education, culture and history; in other words – social science and the humanities. This research did not reveal any foundations motivated by issues to be solved through research and/or innovation in Cyprus. Issue-driven institutes are usually state institutions or are affiliated to universities or other research institutes.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Cyprus

In Cyprus there is one strong foundation; the A.G. Leventis Foundation. Nevertheless, it seems that its support comes from some innovative programmes and collaborations, along with governmental and European funding research and innovation institutions. Its focus, however, is on different activities rather than supporting R&I. However, the small scale of Cyprus itself represents an opportunity for collaborative institutions such as foundations and research institutes.

The main weakness of the sector is the lack of foundations driven by issues to be solved through research and/or innovation. Moreover, this represents a threat to the support of research and innovation in Cyprus; thus it is important for the financial growth of Cyprus to increase its research and innovation sector.

## 5.3 Recommendations

The General Secretary of Research suggested a formal or informal association of foundations for the better coordination of activities supporting R&I, by following a variety of models from other European countries or the USA. Moreover, it would be useful to have different registers differentiating the different types (foundations, societies/associations and limited companies). The small scale of Cyprus itself favours collaboration between research institutions, universities and foundations.

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Czech Republic Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Miroslav Pospíšil  
Kateřina Almani Tůmová

Research and  
innovation



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# 1 Contextual Background

## 1.1 The historical background

The historic ‘Lands of the Czech Crown,’ which today constitute the Czech Republic, have a long and rich tradition of charity and voluntary association dating back to the Middle Ages. The centuries of the development of philanthropy and associational life culminated in the 19th and early 20th centuries, when the Czech Lands became the most industrialised and the most urbanised parts of the Austro-Hungarian Empire and, after the First World War, the new country of Czechoslovakia.

The centuries-long tradition came to an abrupt end under Nazi occupation during the Second World War and in the ensuing decades of the totalitarian Communist regime in the conditions of the Cold War. After the Communist takeover in 1948, all private philanthropic institutions were liquidated and their assets and property confiscated; free association, free assembly, free speech, as well as other basic civic freedoms, were outlawed <sup>[1]</sup>. The few organisations that were permitted to continue their existence were amalgamated into new mass organisations in which their property was conveniently dissolved. Together with the ostracised political parties, the united Revolutionary Trade Unions and new mass organisations such as the Union of Czechoslovak-Soviet Friendship or the Union for Cooperation with the Armed Forces, they were put under the direct control of the Communist Party in the notorious political umbrella organisation, the National Front. No organisations were permitted to go on working or to be established unless they were members of the National Front. <sup>[2]</sup>

After the fall of the Iron Curtain and the democratic revolutions in the eastern part of Europe in 1989, associational life was quickly re-born: a lot of traditional and pre-WWII organisations were revived and large numbers of new associations were established. Their growth was explosive: in 1989, at the end of the Communist era, there were only 537 ‘socialist mass organisations;’ by the end of 1991 there were 21 000 registered organisations; by 1995 their number had shot up to 35 000; and today, more than two decades after the ‘Velvet Revolution,’ the Satellite Account of Non-Profit Institutions of the Czech Statistical Office has records on some 110 000 nonprofit institutions (in a nation of ten million people).

The new explosive growth of nonprofit organisations took place in a situation of legislative void: the first post-1989 parliament quickly amended a few sections in the Constitution and one article in the Business Code to re-introduce basic civic freedoms and to make possible the establishment of not-for-profit organi-

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1 On 12 July 1951 the National Assembly of the Czechoslovak Republic passed a new law, Act No. 68/1951, ‘On voluntary organisations and assemblies,’ whose implementing regulations included the following sentences: ‘The focus of associational life in a people’s democracy has been moved to mass organisations. The purposeless and self-absorbed forms of bourgeois clubmanship are a thing of the past.’

2 For a more extensive treatment of the history of the Czech nonprofit sector see, e.g., Tůma, Vaněk and Dostál 2001; and Pospíšil 2009.

sations, respectively. Then, for a number of years, it refused to debate any further nonprofit legislation, even though the nascent nonprofit sector was badly in need of it. The politicians' repeated excuse was the priority they had to put on the legislation that was urgently needed for the political and societal transformation of the country. A few thousand nonprofit organisations were simply not on their radar.

This absence of rules and regulations, combined with the loss of historic memory and a complete lack of any experience in establishing and managing private nonprofit organisations soon led to a confusing situation in which the new nonprofit organisations were often erroneously defined, badly established and poorly managed. This lack of legislation later also led to large-scale abuse of the nonprofit form.

For a discussion of philanthropic foundations it is worth noting that the old Czech word 'nadace' (foundation) seemed to have completely lost its traditional meaning of 'assets or capital dedicated by the founder to a charitable purpose.' This word was arbitrarily used in the names of many new nonprofit organisations, including membership-based associations, even though they bore no resemblance to traditional foundations. The 'popularity' of naming one's organisation a 'foundation' rose dramatically when the first post-1989 Czech government decided that they would like to contribute to the creation of a financial base for the budding civil society and nonprofit sector by providing them with some seed capital. In 1991 the Czech Parliament passed Act No. 171/1991 on the transfer of State property to other subjects, on the basis of which it was decided that 1 % of the proceeds from the second wave of privatisation of State property would be put into a special fund called the 'nadační investiční fond' (the Investment Fund for Foundations), from which, after the conclusion of the privatisation process, financial contributions would be made into the endowments of foundations selected through a public tender. It is hardly surprising that in expectation of such financial contributions, hundreds of new foundations were established. By the mid-1990s the number of Czech 'foundations' had risen to almost 5 500.

Gradually, this situation of legal void and linguistic confusion, and the evermore frequent cases of abuse, led to increased pressure on the politicians for the implementation of the much needed and long overdue legislation. The first set of new laws dealt with the concept of a foundation. However, in an effort to return the old meaning to the legal status of foundations and to curb any abuse of the nonprofit sector, Czech politicians went too far in the opposite direction to their liberal attitude in the early 1990s. The result was a very strict draft which defined a foundation as an asset-based legal entity with a public benefit purpose whose finances could only be used to make grants to third parties. Foundations would not be allowed to engage in business activities, nor could they operate projects of their own. For those entities that provided services for the public benefit, and were thus roughly equivalent to operating foundations, a new legal form was designed: 'obecně prospěšná společnost' (public benefit company).

There was a lot of dissatisfaction and protest voiced by the nonprofit community about these legislative proposals. Most Czech foundations had no, or very little, capital as they were fundraising organisations. Most operated programs and projects of their own. But the legislative process went ahead; a law on public benefit companies was passed in 1995 (Act 248/1995) and a law on foundations in 1997 (Act 227/1997). As the Bill on foundations passed through Parliament, however, it was substantially amended: the MPs responded to the pressure from most foundations and (a) lowered the sum required for foundations' en-

dowments to 0.5 million Czech Crowns (approximately EUR 20 000), and (b) created a new legal form for foundations with no endowments: 'nadační fond' (the charitable fund). But both these new laws remained very strict in all other aspects of the operations of foundations, funds and public benefit companies.

There was a lot of hesitation about the new legal form of public benefit companies, and so in the first years very few of these organisations were established: by 1998 there were only 129 of them. The effect of the law on foundations and funds, on the other hand, was immediate and drastic: the number of foundations dropped from 5 238 in 1997 to 55 in 1998. By the end of the re-registration process at the end of 1998, there were 272 foundations established under the new legislation with at least the legally required minimum sum of CZK 500 000 as an endowment, and there were 695 charitable funds. The rest of the original 5 238 'foundations' transformed themselves into public benefit companies (there were 560 of them by the end of 1998) or associations, or they dissolved themselves. The erratic growth of the foundation sector after 1989 is illustrated in Table 1 below.

The new legislation clarified the playing field for charitable foundations, but the problem of underfunding remained. Almost none of the newly registered foundations had more money than the minimum required sum of CZK 500 000 (roughly EUR 20 000 at the rate of EUR 1 = CZK 25 in 2012), which foundations had to put in their endowments, and which, however, was an absurd amount as a revenue-generating investment with which to make grants (Pospíšil, 2003). A very modest number of foundations were attempting to build an endowment through capital fundraising campaigns, but that was a long-term task with a very uncertain result, as by 1998, only eight short years after the Velvet Revolution, there was not yet enough new wealth in the country. But the implementation of the new foundation legislation, which had done away with fake foundations, made it possible for the government to distribute the proceeds from privatisation that had in the meantime accumulated in the Investment Fund for Foundations (NIF). Between the years 1999 and 2006, the Czech State thus donated CZK 2 443 million (approximately EUR 90.5 million) into the endowments of 64 private foundations selected in two rounds of public tenders (1998-9 and 2001-2).<sup>[3]</sup> The selected foundations had to have a good record of several years of foundation activity; they had to be able to prove that they had already been building an endowment of their own for some time, and they were obliged to add the State's contribution to that endowment. The money was not to be spent and the foundations had to invest it and were only allowed to use the return from their investment for grantmaking.<sup>[4]</sup> Individual contributions were not very high (the best-rated foundations were able to obtain between CZK 50-90 million [approximately EUR 2.0-3.6 million] if they were successful in both the tenders), but they were meaningful contributions to those foundations that had been building an endowment and were determined to continue to do so in order to become proper grantmaking entities. The net gain from this extraordinary act of State support for private foundations was the emergence of approximately 40 grantmakers, albeit small in size in comparison with the rest of Europe.

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3 See Rada vlády pro nestátní neziskové organizace, 2012.

4 Ibid.

## 1.2 The legal and fiscal framework

The two laws mentioned above (Act 248/1995 on public benefit companies, Act 227/1997 on foundations and funds) set out quite strict rules for the behaviour of foundations, funds and public benefit companies. First of all, they are all defined as nonprofit organisations for public benefit; they cannot provide services for private or mutual benefit.

They can be established by natural or legal persons. New organisations are registered by the regional courts (seven in the country), with which they also have to file their statutes, the names of the members of their governing board and the supervisory board, their annual reports and auditor's reports, and other documents.

Foundations must have an endowment; charitable funds can have an endowment. The endowment, including the way(s) in which it is invested, must also be registered with the registration court. The foundation's and fund's statutes must, among many other things, include a clause that prescribes the maximum amount that the foundation/fund is permitted to spend on its own administration.

The law sets strict limits on the business activities of foundations and funds: they can only use up to 20 % of their other funds to invest in shares of private companies, but the use of an endowment for that purpose is not permitted. They can engage in no other business activities. Public benefit companies can, however, engage in supporting business activities, besides the purpose for which they are established (i.e. the provision of public services).

The laws define strict rules on all aspects of the life of foundations, funds and public benefit companies and prescribe detailed procedures for the functioning of the organisations' governance and management. All three types of foundation-like organisation must publish annual activity reports and annual financial reports according to a prescribed structure. Their finances must be audited and the auditor's reports must also be published and filed with the registration courts, just like the annual reports.

Even though the laws are so strict on foundation-like organisations, Czech legislation does not offer them better fiscal treatment than it does to other nonprofit legal forms. The income from the investment of an endowment is exempt from income tax, but otherwise foundation-like organisations get the same tax treatment as associations and all other nonprofit legal entities. Their income from (supporting) business activities is taxed regularly, while any income from their foundation activities or the provision of public services, as defined in their mission statement and statutes, is exempt from income tax. Furthermore, complete tax exemption also applies to membership fees (not applicable to foundation-like organisations, of course), the interest from bank accounts, and income from charitable appeals and collections or charitable lotteries. Last but not least, also tax exempt are gifts, donations, bequests and grants made to nonprofit organisations for their charitable purpose. <sup>[5]</sup>

Donors to charitable organisations are also entitled to tax relief, and a flat rate is applied to all donors, ir-

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5 For a more detailed treatment of the tax issues see Adamec, 2010.

respective of which type of nonprofit organisation they have contributed to. Natural persons can deduct from their tax base donations up to 10 % of their income tax base and legal persons can deduct up to 5 % of their tax base.

Foundations are recipients of public funding only in very exceptional cases; in principle they should not apply for public funding at all. They have to rely on private donors for their fundraising campaigns. Funds and public benefit companies, on the other hand, are free to compete for public funding, just like all other nonprofit organisations. Public benefit companies in particular rely on public funding to a very large extent.

### 1.3 The foundation landscape

Since the Foundation Law of 1997, foundation legislation has been amended several times to make it less strict in terms of foundations' involvement in business activities within the range of investment tools that they are permitted to use, and their ability to operate projects of their own. But in principle legislation has remained the same, <sup>[6]</sup> distinguishing three legal forms that foundation-like organisations can take:

1. Foundation (*nadace* in Czech), defined as an asset-based non-membership organisation dedicated to supporting public benefit purposes, with a registered endowment of at least CZK 500 000 (EUR 20 000).
2. Charitable fund (*nadační fond*), a property-based non-membership organisation dedicated to supporting public benefit purposes, without registered endowment.
3. Public benefit company (*obecně prospěšná společnost*), a non-membership nonprofit organisation dedicated to providing public services (roughly equivalent to an operating foundation).

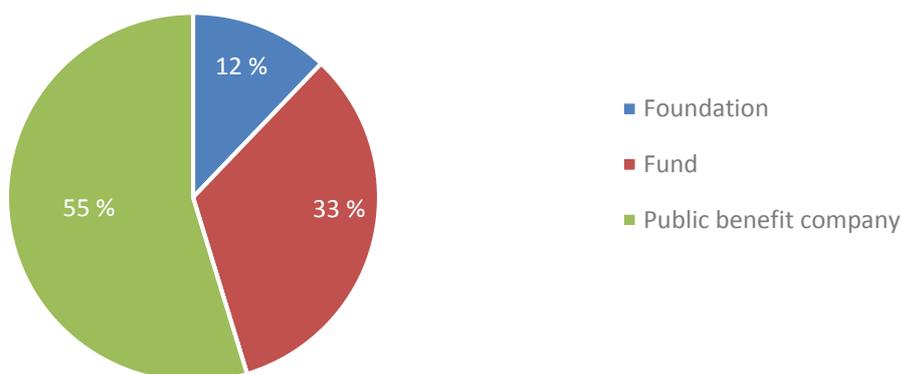
Since the implementation of foundation legislation in 1995 and 1997 (as described in 1.1 above), the numbers of all the three foundation-like organisations have been gradually rising: by 2011 there were 435 foundations, 1 195 funds and 1 968 public benefit companies (Czech Statistical Office, 2012).

Figure 1: Czech foundation-like organisations according to legal form (2011)

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6 On 1 January 2014 a new Civil Code came into effect in the Czech Republic, which includes new legislation on associations and foundations. The following pages describe the situation that was valid until the end of 2013 as this is relevant to the EUFORI study.

**Figure 1: Czech foundation-like organisations according to legal form (2011)**



Source: Czech Statistical Office 2012

The financial strength of Czech foundations, however, has remained poor. Today, we have the thirty or so foundations that received a reasonably sized contribution from the NIF (see 1.1 above); perhaps a dozen of them have been successful in further increasing their assets and can now boast of medium-sized endowments of around CZK 100 000 000 (approximately EUR 4 million). All of these foundations, however, continue to raise money through annual fund-raising campaigns.

Since the beginning of the 21st century, in addition to the 'NIF' foundations, perhaps two dozen new foundations have been established with sufficient endowments or some other secured source of annual income. The first to be established were corporate foundations, founded by large corporations and banks, followed by private foundations established by new wealthy individuals and families. It is interesting to note, however, that both the corporate and the family foundations tend to be established with the minimum required endowment, or to be incorporated as charitable funds rather than foundations. The parent companies or individual donors seem to prefer to fund their foundations through annual contributions rather than immobilising large sums in their endowments.<sup>[7]</sup>

The rest of the 435 foundations, almost all the charitable funds and all the public benefit companies have very little or no property and assets, and are thus fully dependable on annual fundraising.

The large private foundations and the corporate foundations typically combine operating programmes and projects of their own with grant making. Pure grantmakers are extremely rare, only some bank foundations operate in that way. Since most foundations do not, or cannot, rely on just the income from the investment of their assets, they also raise funding from other donors; they use this funding for projects of their own or re-grant it.

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7 There has been no research undertaken into the development of endowments and assets in Czech foundations; all the estimates in this text are my own, based on several investigations into the financial reports of a small sample of the 'NIF' corporate and family foundations.

Almost all the charitable funds are grantseeking organisations; they raise money so that they can operate projects of their own. A very large number of them are established as ‘parallel’ foundations, typically established by all kinds of service provider (schools, universities, hospitals, health services, social service providers, cultural institutions etc.). They serve exclusively their parent organisations by raising money or providing services for them.

All the public benefit companies are grantseekers. They raise funding from all types of donor so that they can provide the public service for which they were established. They operate in all areas of public service: education, research, culture, arts, heritage, health, social services etc.<sup>[8]</sup>

Finally, it must be borne in mind that all Czech foundation-like organisations are very young, with the exception of one foundation established at the beginning of the 20th century, which survived the totalitarian years (thanks to an administrative error), all of them were established after the regime change in 1989, and most of them after the year 2000. Table 1 below shows this development.

**Table 1: Czech foundation-like organisations since 1989**

Year	Foundations	Funds	PBC
1989	1	0	0
1992	1 552	0	0
1997	5 238	0	52
1998	55	71	129
1999	272	695	660
2011	435	435	1 968

Source: Pospíšil & Hyánek 2009 and Satellite Account of Nonprofit Institutions 2011.

Most foundations are active in the fields of Culture and Arts (12 %), Education (9 %) and Health (6 %); only 1.45 % foundations support Research as their main purpose. 40 % foundations are grantmaking and/or mixed, whereas 60 % only operate their own programs and give no grants (Rosenmayer 2004).

Charitable funds most frequently operate in Education (37 %), Health (12 %) and Culture and Arts (7 %); 1 % are active in Research. 7 % of them are grantmaking and/or mixed, the remaining 93 % are operating foundations (Rosenmayer 2004).

The highest numbers of public benefit companies (PBCs) work in Education (29 %), Culture and Arts (18 %), Social Services (15 %) and Development (11 %). Only 1 % of PBCs have research as their principal purpose (Rosenmayer and Kujová 2005).

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8 For an introduction to the economics of foundation-like organisations, see Rosenmayer (2004) and Rosenmayer and Kujová (2005).

Both in the Czech pre-WWII tradition and in the new nonprofit organisations established since 1989, one of the most frequent (and prestigious) charitable causes has been education: there have always been large numbers of organisations dedicated to educational missions. Research often accompanies education so that the mission statements of such organisations as a rule include research as one of the minor purposes, or they say ‘education and research,’ or ‘education and science,’ or a similar specification. Foundation-like organisations whose principal mission/activity is research, however, are very rare indeed, as is clear from the data given above. Innovation fares even worse: few organisations are dedicated to innovation, maybe because innovation is considered to be the *raison d’être* of science and research anyway, and so does not seem to require to be stated as a separate purpose.

The infrastructure of the foundation sector remains underdeveloped after 25 years; most foundation-like organisations are individual players and they do not tend to form umbrella organisations or associations. The one honourable exception is the Czech Donors Forum, established in 1997 by several leading foundations with the task of cultivating the foundation environment, of guarding the ethics of foundation behaviour and of representing the interests of philanthropic grantmakers. Today, the umbrella of the Donors Forum covers three associations, whose membership, however, is very low in comparison with the total numbers of organisations: the Association of Foundations (33 members), the Association of Charitable Funds (22 members) and the Association of Corporate Foundations and Funds (nine members). These low numbers are undoubtedly due to the condition of membership: the member organisation must be a grantmaking foundation or fund. There is also a miniscule Association of Community Foundations, established in 2006, which only has four members; the concept of community foundation does not seem to have taken root in the Czech Republic. The members of the Donors Forum are foundations that support all fields; there are no field-specific umbrellas or associations in the country. <sup>[9]</sup>

## 1.4 Research/innovation funding in the Czech Republic

In 2012, the total expenditure on research, innovation and development (GERD) was CZK 72.36 billion (approximately EUR 2.9 billion), which is 1.88 % of the GDP. <sup>[10]</sup> This expenditure represents an increase of 20 % compared with the year 2011, the largest year-to-year increase in the past ten years. This was mainly due to a 180 % increase in income from foreign public sources and a 15 % increase in income from domestic private sources. The GERD has been rising steadily in recent years, from 1.22 % of the GDP in 2005 to 1.88 % in 2012, thus almost reaching the EU27 average (1.9 % in 2011). In terms of overall innovation performance, the country counts as a moderate innovator in the Innovation Union Scoreboard 2014.

In 2012, the largest amounts of finance for research, development and innovation (RDI) were spent within the domestic public sector and on domestic business. The expenditure of private foundations is so low that it is not perceptible according to official statistics. The CZSO, however, records RDI expenditure for the whole private nonprofit sector, which was 0.9 % in 2012 (see Table 3).

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9 There are field-specific networks and associations of service-providing nonprofit organisations in, e.g., social services, the environment or children and youth, and a number of operating foundations belong to their members.

10 All the data in this section are from the Czech Statistical Office 2013 unless otherwise stated.

**Table 2: Total RDI expenditure according to financial source 2007-2012**

Source	2007	2008	2009	2010	2011	2012
Business, domestic	47 %	45 %	40 %	41 %	38 %	36 %
Business, foreign	5 %	7 %	9 %	10 %	10 %	10 %
Public, domestic	45 %	45 %	48 %	44 %	42 %	37 %
Public, foreign	2 %	2 %	3 %	4 %	10 %	16 %
Other, domestic	1 %	1 %	1 %	1 %	1 %	1 %
<b>Total</b>	<b>100 %</b>					

Source: Czech Statistical Office 2013

Most RDI expenditure supports technological science (51 % in 2012) and natural science (31 %), followed

**Table 3: RDI expenditure according to sector 2007-2012**

Sector	2007	2008	2009	2010	2011	2012
Business	59 %	59 %	56 %	58 %	55 %	54 %
Government	23 %	23 %	23 %	22 %	20 %	18 %
Higher education	18 %	18 %	20 %	20 %	24 %	27 %
Private nonprofit	0 %	0 %	1 %	1 %	1 %	1 %
<b>TOTAL</b>	<b>100 %</b>					

Source: Czech Statistical Office 2013

at a big distance by medical science (8 %), social science (4 %), agricultural science and the humanities (both 3 %). About one third of the finances is each spent on basic research (30 %), applied research (36 %) and experimental development (34 %).

Like the EU as a whole, the Czech government has paid increased attention to research, innovation and development. In a strategic document (Rada pro výzkum, vývoj a inovace 2013b), it has defined nine policy objectives and highlighted the priorities of RDI for the years 2009-2015:

- Objective 1: Establish RDI strategic management at all levels.
- Objective 2: Focus State aid for RDI on the need for sustainable development.
- Objective 3: Improve the efficiency of the RDI State aid system.
- Objective 4: Apply R&D results in innovations and improve public-private cooperation in RDI.
- Objective 5: Improve the Czech Republic's involvement in international cooperation in RDI.
- Objective 6: Ensure quality human resources for RDI.
- Objective 7: Create an RDI-stimulating environment in the Czech Republic.
- Objective 8: Ensure effective links to policies in other areas.
- Objective 9: Rigorously evaluate the RDI system.

The priorities of applied research, development and innovation in the Czech Republic in 2009-2011:

- Biological and environmental aspects of sustainable development.
- Molecular biology and biotechnology.
- Energy sources.
- Materials research.
- Competitive engineering.
- Information society.
- Security and defence.
- Priorities for the development of Czech society.

In comparison, the Czech Republic scores quite low with the EU15; in spite of the increased attention paid to RDI, it remains a transition country that has not yet overcome the negative legacy of the Communist years and which does not have the financial or human resources to successfully compete with the 'old' EU countries. Among the new EU members, however, the country is much more competitive, usually ranking among the first four.

In terms of scientific publication production, e.g., with 0.85 publications per 1 000 citizens, the Czech Republic is the average of the EU27, but its score is only roughly half of the score of the EU15. In terms of citations, both in relation to the number of citizens and to the FTE number of R&D workers, the Czech Republic only reaches 80 % and 85 %, respectively of the average of the EU27. (Rada pro výzkum, vývoj a inovace 2013a)

Between 2005 and 2011, Czech subjects submitted 832 patent applications to the European Patent Office (EPO), a mere 0.85 % of all applications for that period. Applicants from Denmark or Austria submitted approximately 10 000, Dutch applicants almost 50 000 (47 850) and those from Germany even reached 180 000 patent proposals. In 2011, the EPO received 164 proposals from the Czech Republic, which means 16 proposals per 1 million inhabitants; the EU27 average, however, is 128 per 1 million inhabitants (Rada pro výzkum, vývoj a inovace 2013a).

The Czech Republic's innovation performance is slightly below the EU27 average; it is one of the best countries among moderate innovators. But the two examples mentioned above of scientific publications and citations and of international patent applications reveal that in terms of output the position of the country in the EU context is much weaker. According to the Index of Economic Impact of Innovation, the Czech Republic (0.497) is clearly below the EU average (0.612), as well as underperforming its reference group (CZ+IT+HU+SI+SK: 0.543). It ranks 17th due in particular to its poor performance in 'patent applications per GDP' and 'share of knowledge-intensive services in total export of services' (European Commission 2013).

To sum up, the country is 'critically weak in terms of high impact scientific publications, PCT patents and attractiveness to foreign doctoral students (other than Slovaks). Other marked weaknesses (...) include pub-

lic R&D expenditure, access to venture capital and license and patent revenues from abroad' (European Commission 2013). On the other hand, the Czech Republic has real strengths in six science and technology areas in the European context: automobiles, other transport technology, construction and construction technology, materials, energy, and the environment. (European Commission 2013). A relative weakness in supporting and financing R&I is the lack of coordination and cooperation between the individual players in R&I, including the low extent of cooperation between the science base and the business sector.

Research, development and innovation have enjoyed being a very high priority for the government, with a series of green papers, white papers, strategic documents (such as the National Research, Development and Innovation Policy of the Czech Republic 2009-2015, the National Innovation Strategy, the Czech Republic International Competitiveness Strategy for 2012-2020) and new legislation (e.g. the amended Investment Incentive Act or Income Tax Act) issued over the past ten years. The government has set up the Council for Research and Development as its main advisory body and a steering committee to oversee the implementation of the National Innovation Strategy. The Grant Agency of the Czech Republic and the Technological Agency of the Czech Republic are the main channels of providing state support for science and technology in the country.

Technology and science parks, innovation centres and clusters, associations of innovative entrepreneurship and venture capital have mushroomed recently due to a combined effort of the government, business and academia to improve the less than satisfactory RDI performance of the country. Recent government policy papers include private nonprofit organisations and foundations in this strategy, but their role as financial contributors to RDI remains very marginal, due to the financial weakness of Czech foundations. Also, science (and education) was the sole responsibility of the State for so long that most people do not think of foundations and/or nonprofit organisations when it comes to financing them. The dominant institutions in science and research, namely the universities and the Academy of Science of the Czech Republic, are in fact publicly funded, and since scientific progress is such an important force in economic development, most people think the full funding of science and research is the State's responsibility.

# 2 Data Collection

The processes of sampling and data collection turned out to be difficult and drawn out, lasting one year from November 2012 until almost the end of 2013. The main reasons were the low reliability of all existing sources of data and information on foundations and the continued attempts to raise the low response rate during data collection.

## 2.1 The identification of foundations supporting R&I

There are two sources of information in the Czech Republic that we could use as the starting point for the identification of foundations supporting research and innovation:

- The Business Register (Obchodní rejstřík), administered by the Ministry of Justice, available online at <https://or.justice.cz/ias/ui/rejstrik>
- The Satellite Account of Nonprofit Institutions, <sup>[11]</sup> for whose implementation the CZSO has a database of all legal forms of nonprofit institutions (currently thirteen legal forms). The database is not publicly available, but the CZSO provides information from it on request.

The process of identification was then implemented as follows:

1. We requested a database from the CZSO of foundations, funds and public benefit companies that were classified in the CZSO database under ‘science, research and innovation’ and/or had those words in their names or stated those objectives in their mission statements or their lists of activities. We received a database of 247 foundations and funds and 373 public benefit companies, 620 organisations altogether. We knew from previous research (Rosenmayer et al. 2004) that the information in the official databases was very unreliable, therefore:
2. The second step was to check the information in the database against other sources of information:
  - We looked up the information in the Business Register.
  - We conducted an online search for R&I foundations.
  - We consulted the address lists and databases of nonprofit umbrella organisations.
  - We consulted major recipients of research grants (universities, research centres, think tanks, institutes of the Academy of Sciences).
3. Finally, after ruling out defunct foundations and mistaken identities and adding a few new finds, we attempted to complete the contact information. We made use of all the sources mentioned in Step 2 above and, in addition, we searched through individual foundations’ websites, including their latest annual reports and other documents if available.

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11 Online in English at: [http://apl.czso.cz/pll/rocenka/rocenka.indexnu\\_sat?mylang=EN](http://apl.czso.cz/pll/rocenka/rocenka.indexnu_sat?mylang=EN)

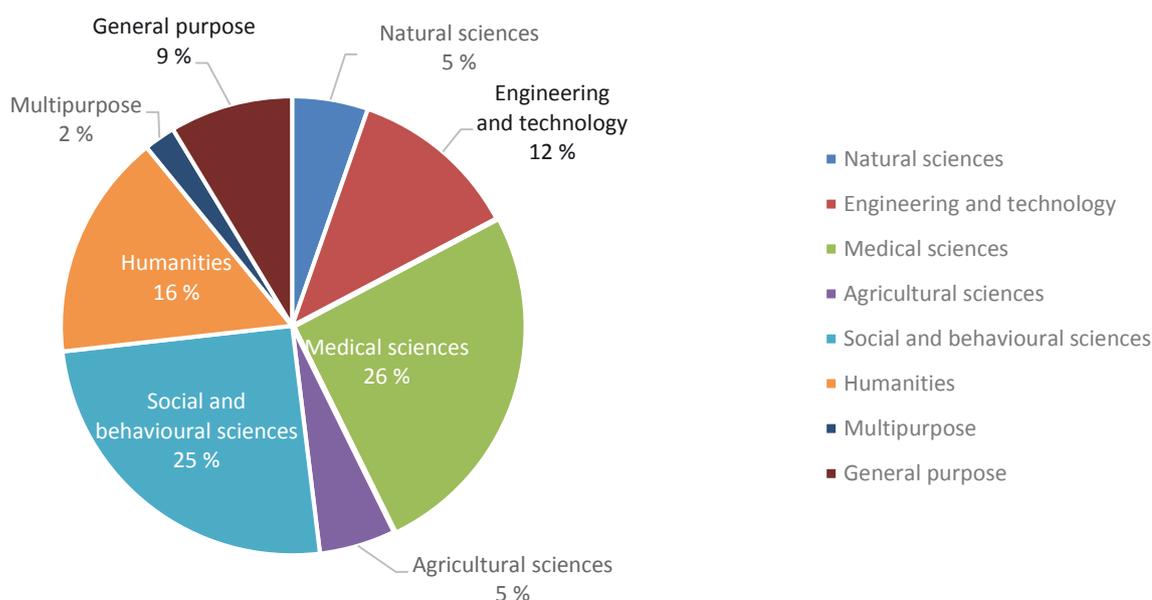
At the end of the process we obtained a sample of 519 R&I foundations, with which we started the survey. Much later, during the last round of reminders and additional searches, we identified one more foundation so that the final sample included 520 organisations. The share of the three legal forms in the sample is presented in Table 4 below.

**Table 4: Final sample of Czech foundation-like organisations for the EUFORI Study**

Foundations	Funds	Public benefit companies	Total
62 (12 %)	146 (28 %)	312 (60 %)	520

Most foundations in our sample were active in the fields of Medical Science and Social and Behavioural Science, followed by the Humanities and Engineering and Technology. One tenth of the sample were multiple-purpose and general purpose foundations.

**Figure 2: The areas of activity of the 520 R&I foundations as a percentage**



Three things struck us as significant in the sample:

1. Almost all the R&I foundations listed research (very often combined with education) and science among their purposes, but not as their main purpose: in fact it was usually only included towards the end of the list of a foundation's objectives/activities. This much-repeated pattern gave rise to a suspicion that the mention of research in such cases was more of a declaration of intent based on wishful thinking rather than a serious commitment to allocating resources to research.
2. Most foundations were very small.
3. Most foundations were grantseeking rather than grantmaking organisations. Table 5 clearly shows

that there were only three foundations in our sample with endowments that were large enough to enable them to make grants from their investment, while 90 % (!) of the 207 foundations and funds did not have more than the minimum endowment requested by law. All the PBCs are by definition fundraising organisations.

**Table 5: Czech R&I foundations and funds: size of endowment**

CZK millions	EUR thousands	Number of foundations	%
< 1	< 40	186	89.9
1-5	40-200	10	4.8
5-10	200-400	1	0.5
10-25	400-1 000	2	1.0
25-50	1 000-2 000	5	2.4
50-100	2 000-4 000	0	0
> 100	> 4 000	3	1.4

Thus, before we even started the survey, the main finding was clear: almost all Czech R&I foundations were grantseeking and operating. Their contribution to research and innovation consisted of the programs and projects they implemented with the funding raised from other donors, while their financial contribution was very low. They would be consumers of other donors' funding rather than financial contributors to the causes stated in their missions

### 2.1.1 Problems and issues in the sampling process

Of the 519 organisations, only 369 had an e-mail address. These days, when an e-mail address is a must, this was a signal to us that these organisations were probably not active, maybe even dead. But even with the other organisations in the sample, we could not be sure about the contact and other information, judging from the experience we had from the sampling process in terms of the unreliability of the data sources.

In spite of all our efforts to clarify these problems, it was clear to us that anywhere between 40 and 60 % of the R&I foundations that we identified might be defunct or inactive, and that the contact information might be outdated or completely obsolete.

Bearing this in mind, and after a consultation with the EUFORI Study coordinator, it was decided to use the whole sample of 519 organisations for the survey.

## 2.2 The survey

The foundations were notified in advance by a letter signed by the country researcher and the Head of the Department of Public Economics at Masaryk University on 10 April 2013. Subsequently, e-mail invitations were sent by VU University Amsterdam on 18 April. They were accompanied with a letter of endorsement

from Masaryk University. The postal invitations were sent out by Masaryk University on 25 April.

In response to both batches of mail, 45 e-mails and 37 letters were returned as undeliverable. We tried to reach these organisations by telephone, but were successful in only seven (!) cases. In the end, the invitation was successfully sent to  $(519 - 45 - 37 + 7)$  444 organisations.

To begin with, we received 51 completed questionnaires from those foundations that had an e-mail address and only one questionnaire from those that did not, which confirmed our suspicion that the absence of an e-mail address meant that the organisation was defunct, dormant or not active.

Four rounds of reminders followed: on 16 May (e-mail reminders sent out by VU University Amsterdam); between 13 and 20 June (further reminders from the country researcher by e-mail, by post and by telephone); during the summer months (a last round of reminders to all non-respondents); and, finally, in September and October (reminders aimed at some selected foundations that we had identified as being highly relevant to the EUFORI study out of the remaining non-respondents). In several cases we even filled in the questionnaires ourselves using data from the foundations' annual reports with additional information from telephone conversations with the foundations' representatives.

In the end, we collected questionnaires from 90 respondents (out of the sample of 520), a good result in view of the fact that we could reasonably presume that perhaps up to 50 % of the organisations in our sample were dormant or defunct, or had in actual fact nothing to do with research and innovation, in spite of a statement to the contrary in their mission.

## 2.3 The interviews

For the qualitative part of the study, we selected eight organisations for in-depth interviews, six foundations and two stakeholders.

The selection of the foundations was based on their representativeness with regard to the Czech foundation sector and to the R&I foundation sector. A combination of the following criteria was used:

- Size (large, medium, small).
- Source of funding (own resources, either from endowment or annual contribution by founder; fund raising; mixed).
- Founder (corporate, private).
- Mode of operation (grantmaking, mixed, operating).
- Mission in terms of research and innovation as their sole purpose, as an auxiliary purpose or as one of several/many purposes).
- Legal form (foundation, fund, public benefit company).

The criteria for the selection of stakeholders:

- Large recipients of a variety of types of funding for research.
- Research in scholarly/scientific fields and in technological fields.

Based on these criteria, six foundations and two university research/development officers were interviewed in November and early December 2013. <sup>[12]</sup>

#### Foundations:

F1	Large bank foundations, grantmaking, general purpose, research one of 12 stated purposes.
F2	Medium-sized corporate foundations established by an industrial company, multiple purpose, both grantmaking and operating, supporting the industrial area of its business activities, including research.
F3	Medium-sized private educational foundation supporting higher education, both grantmaking and operating, with research as a secondary purpose to the support of higher education.
F4	Small private foundation (legal form charitable fund), grantmaking, single-purpose foundation, supporting research in a narrowly defined multidisciplinary field.
F5	Medium-sized operating foundation (legal form public benefit company), implementing own programs in one technological field in the areas of both research and innovation.
F6	Large national operating foundation (= public benefit company), implementing own programs that initiate, support, transfer and disseminate innovation.

#### Stakeholders

S1	Head of development at a public university.
S2	Research development coordinator at a technical university.

The interviews were semi-structured, and the themes discussed with the foundations followed this outline:

- Reasons for establishing the foundation and choosing R&I, original and current aims, changes in aims, reasons for changes, future of the foundation.
- Position of the foundation in the context of the foundation sector and in the context of R&I, coordination and cooperation with other foundations/players, relation to government and business, reasons for cooperation/partnerships or their absence. Ditto in the EU/international context.
- Major achievements, success stories. Impact on R&I. Role(s) of the foundation. Strengths and weaknesses.
- Management of the foundation: endowment, assets, sources of income, expenditure, staff, management procedures; strengths and weaknesses; opportunities and threats.
- Suggestions for relations with the State and business, policies that would support R&I, policies that would support the role private foundations could play in R&I: regional, national and EU levels.

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<sup>12</sup> One of the selected foundations declined to give an interview and was replaced with an additionally chosen organisation. This interview took place in January 2014.

The themes discussed with the stakeholders were:

- Sources of funding for R&I: regional, national, international - in general and in that specific institution.
- The role played by the government and business in (i) R&I and in (ii) funding R&I.
- The role government and business could/should play in (i) R&I and in (ii) funding R&I.
- The role played by private foundations in (i) R&I and in (ii) funding R&I.
- The role private foundations could/should play in (i) R&I and in (ii) funding R&I.
- Examples of projects at that specific institution supported by private foundations.
- Examples of projects at that specific institution involving private foundations.
- Suggestions for policies that would support R&I, policies that would support the role private foundations could play in R&I: regional, national and EU levels.

# 3 Results

This chapter reflects the descriptive results of phase 1 (questionnaires) and phase 2 (interviews) of the EUFORI survey in the Czech Republic. Since we obtained a relatively high number of completed questionnaires, most of the findings are based on the quantitative information. The information we requested in the interviews completed the data from the questionnaires, provided a background to the quantitative data, and attempted to deal with some specific findings about Czech foundations, in particular their role in funding research and innovation vis-à-vis other funders, their financial weaknesses, and their relationship with the State.

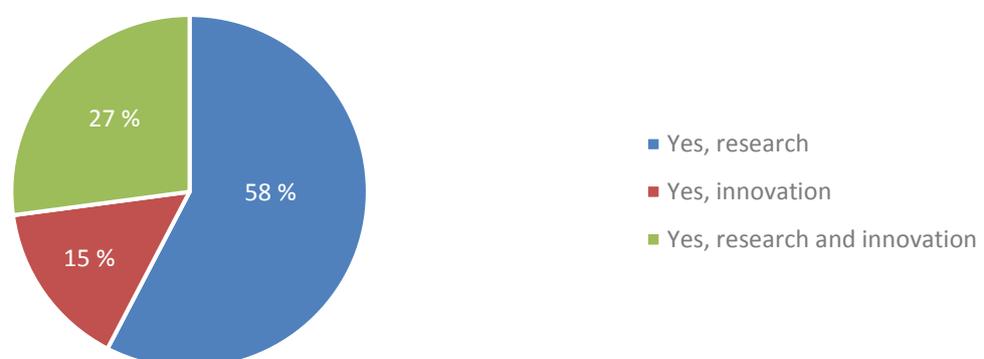
The Czech sample of all the foundation-like organisations that stated as their purpose or as one of their purposes ‘research,’ ‘science’ or ‘innovation’ numbered 520 organisations. Out of this total number, 90 organisations filled in the EUFORI questionnaire (16 foundations, 18 charitable funds, 54 public benefit companies and two unidentified legal forms). However, as many as 31 (= 34.44 %) organisations said that they had not funded/operated any research and/or innovation activities between 2005-2012. The sample on which the findings below are based therefore consists of 59 foundation-like organisations, nine foundations, 11 charitable funds and 38 public benefit companies (with one unidentifiable legal form). (The three legal forms will henceforth be called ‘foundations’ for the sake of brevity unless the distinction is important.)

## 3.1 Types of foundations

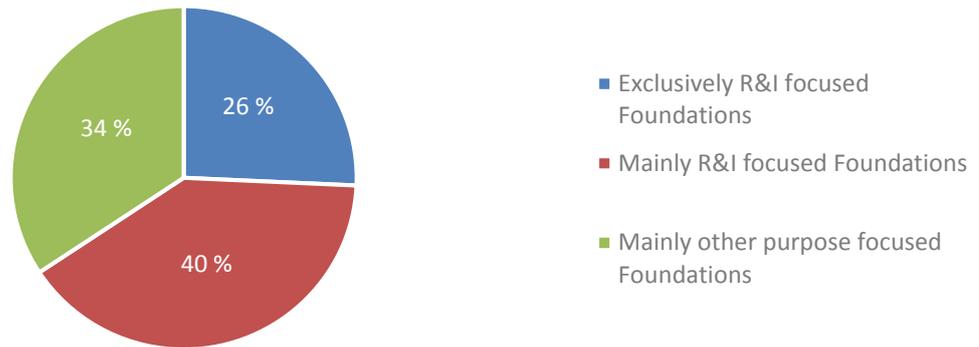
Most foundations in our sample said they supported/operated research, while innovation was supported/operated by only about one seventh of our foundations.

**Figure 3: Types of foundation according to research and/or innovation**

As a percentage of the total number of foundations (N=59)

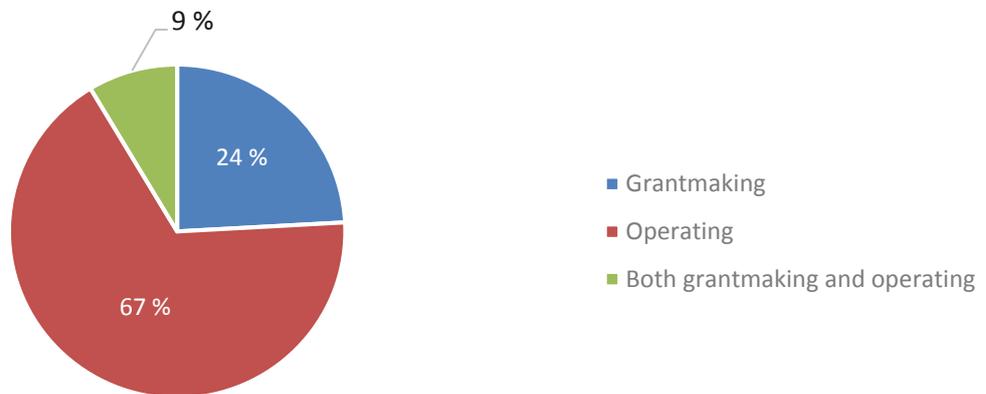


**Figure 4: Types of foundations according to purpose**  
As a percentage of the total number of foundations (N=35)



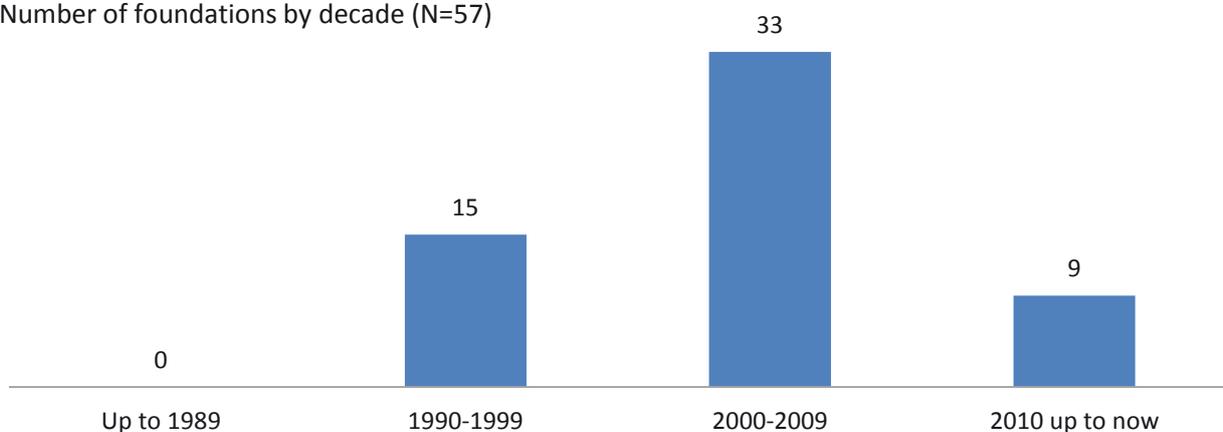
One typical feature that has already been mentioned more than once previously is the prevailing operating nature of most Czech foundations. The quantitative data from our sample confirm this:

**Figure 5: Types of foundations; grantmaking versus operating**  
As a percentage of the total number of foundations (N=58)



All the foundation-like organisations in our sample were very young, established after 1989:

**Figure 6: Types of foundation according to year of establishment**  
Number of foundations by decade (N=57)



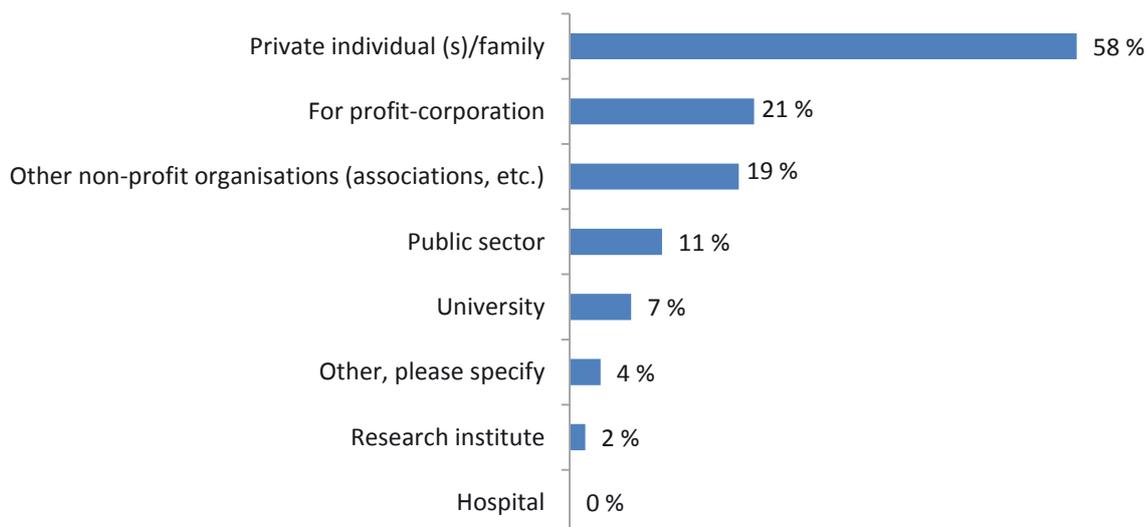
## 3.2 Origins of funds

### 3.2.1 Financial founders

It is unfortunately impossible to distinguish the founder from the financial founder in the Czech context because the establishment of a foundation only requires a very small endowment and the establishment of the other two legal forms does not even require any endowment at all. The numbers in Figure 7 below must therefore be read as types of founder, without any connection to the foundations' assets or income

**Figure 7: Financial founders**

As a percentage of the total number of foundations, multiple answers possible (N=57)



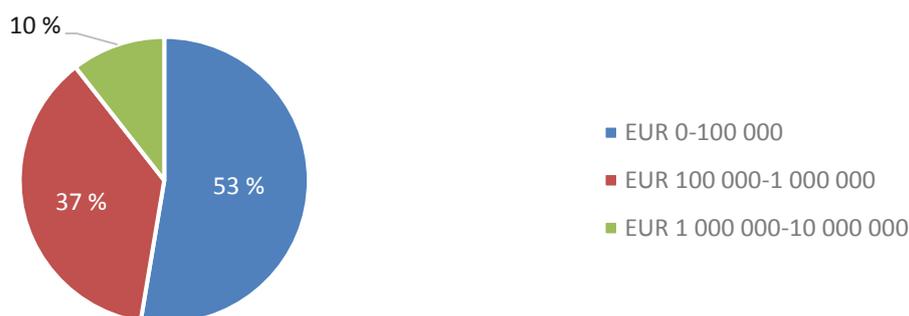
We know from previous research (Rosenmayer 2004) that foundations and funds are almost exclusively established by private entities (individuals/families, businesses and private nonprofits). The pattern also applies to PBCs, but less so, because PBCs are also established by regional and local governments to whom regions and municipalities often outsource the delivery of some public services (Rosenmayer and Kujová 2005). This explains the substantial number of organisations founded by the public sector. The foundations established by universities and research institutes are invariably philanthropic funds in form and fundraising 'parallel' foundations in function.

### 3.2.2 Income

As many as 53 % of the respondents reported an income so low that it is barely conceivable that they can cover more than their administrative expenses, unless they rely fully on voluntary labour. About one third (37 %) of the foundations had a total income high enough for modest systematic work, whether it be making grants or operating projects of their own, and only four foundations (10 %) reported a relatively high income. All these four, however, are multiple-purpose or general-purpose foundations, which allocate only a small percentage of their income to R&I.

**Figure 8: Total income according to category in Euros, 2012**

As a percentage of total number of foundations (N=38)



#### Statistics income

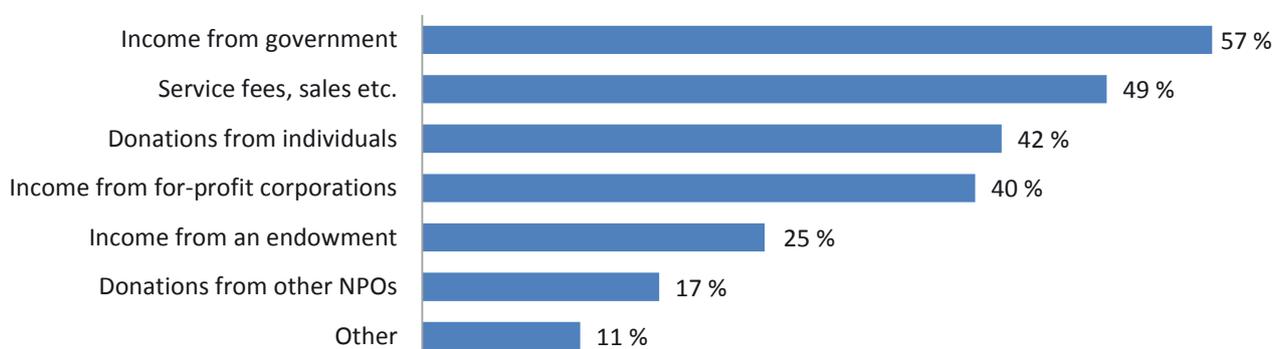
Number of foundations	38
Mean in Euros	551 589
Median in Euros	99 042
Total income in Euros	20 960 394

The extremes are also worth noting: the highest income was EUR 7 million and the lowest EUR 2 800.

The structure of income shows dependence on fundraising and earned income; only one quarter of the respondents reported some income from an endowment. Since we know how small Czech endowments are (see Table 5), the income will also be very low in most cases. Figure 9 below shows what sources of income were made use of by the largest percentages of the respondents, most of them drawing their income from several sources. The sources on which foundations rely most are the government and sales of services, followed by donations from individuals and corporations.

**Figure 9: Source of Income**

As a percentage of the total number of foundations, multiple answers possible (N=53)



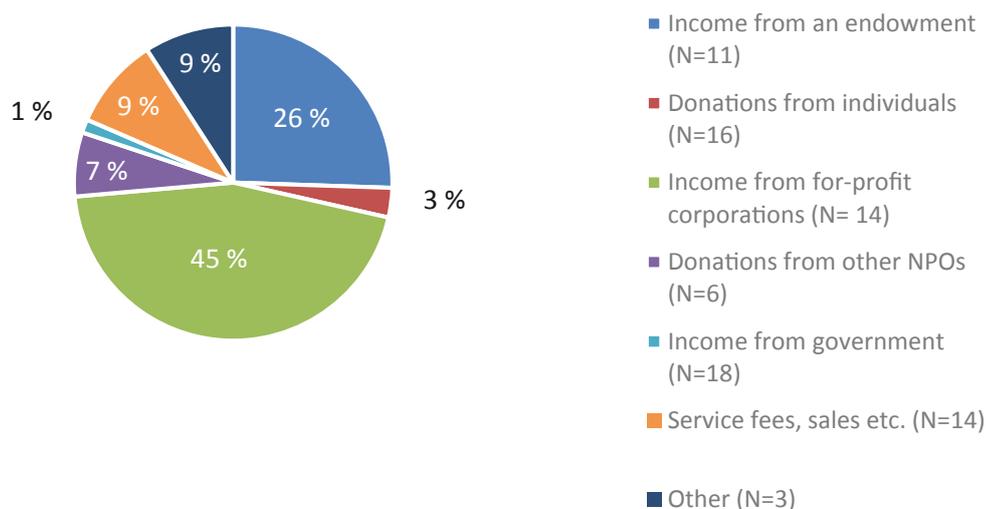
However, in terms of the total amount of income, the overall picture looks different, as is evident from Figure 10 below. The income from the government remains high but is surpassed by a large margin by income from the business sector. One possible explanation is to be found in the fact that corporate founders do not donate money as endowments for their foundations but provide them with annual contributions

which are as a rule higher than other foundations' income (this fact was also confirmed in interviews F1 and F2) and in the much-used pattern when a foundation as a (minor) member of a consortium receives funding from the leader of a consortium which is a for-profit corporation or from the budget of a consortium that has been put together from corporate sources (revealed in interviews F5 and F6 and illustrated in innovative examples (b) and (d)).

Table 8 also shows very clearly how very small the income from the endowments is in terms of the total amount of funding, even though one quarter of the respondents reported that they had income from their endowment.

**Figure 10: Sources of income**

As a percentage of total (known) income



Sources of income	Amounts in Euros
Income from an endowment	4 296 872
Donations from individuals	507 496
Income from for-profit corporations	7 579 760
Donations from other NPOs	1 104 280
Income from government	230 790
Service fees, sales etc.	1 578 880
Other	1 531 268
Unknown	4 131 048
<b>Total Income</b>	<b>20 960 394</b>

All of the 11 foundations that had some income from their endowment shared information about the origin of their endowment. This suggests that Czech endowments come from two main sources: donations by initial founders and the contribution by the State from the privatisation process after 1989 (see 1. 1 above). If we relate this finding to the data about foundations' income, it becomes clear that the other income (from fundraising and fees and sales) does not contribute much to the endowments, it is regranted or spent immediately; only two respondents in the 'Other' category said they increased their endowments from donations and fundraising. This is rather surprising because they at the same time said that their endowments are to be maintained to generate income (seven foundations) or even increased (three foundations), while only two foundations reported that their endowments might decrease.

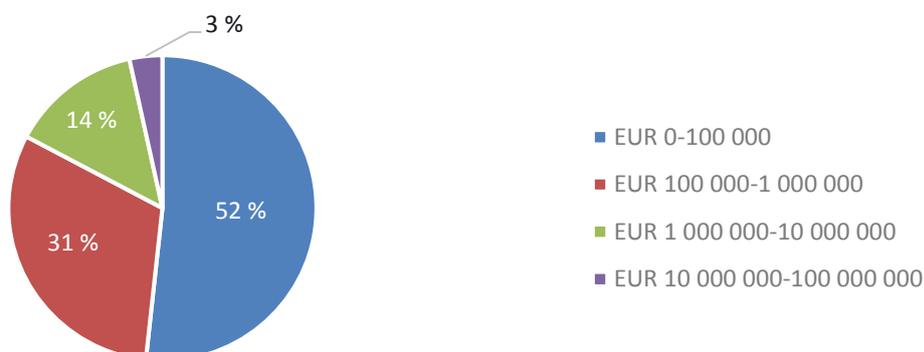
**Table 6: Origins of endowment**

Origin of endowment	Number of foundations	%
Donations from initial founder	7	58.3 %
Shareholdings from initial founder	1	8.3 %
Property from initial founder	0	0.0 %
Legacy/bequest	1	8.3 %
Patents	0	0.0 %
Proceeds from privatizations	6	50.7 %
Other	3	25.0 %

### 3.2.3 Assets

As might be expected, Czech foundations do not possess high assets. One half of them have practically no assets, and another third have very few. Four of the 29 foundations that responded have assets of up to EUR 10 million and one a little over ten million (EUR 11.25 million).

**Figure 11: Total assets by categories in Euros, 2012**  
As a percentage of total number of foundations (N=29)

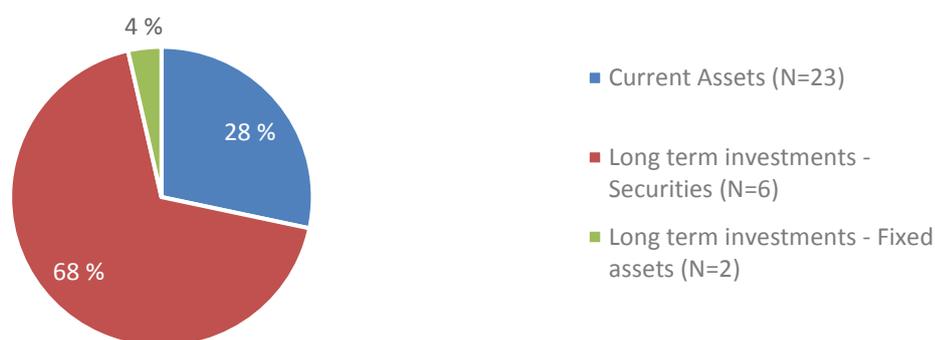


Statistics Assets	
Number of foundations	29
Mean in Euros	809 404
Median in Euros	62 000
Total assets in Euros	23 472 703

Again, it is interesting to look at the extremes: the highest amount was EUR 11.25 million, the lowest only EUR 62.

**Figure 12: Distribution of assets**

As a percentage of total (known) assets, multiple answers possible



Distribution of Assets	Assets in Euros
Current Assets	6 301 973
Long term investments - Securities	15 143 595
Long term investments – Fixed assets	791 346
Long term investments – Special funds	-
Other	-
Unknown	1 235 789
<b>Total assets</b>	<b>23 472 703</b>

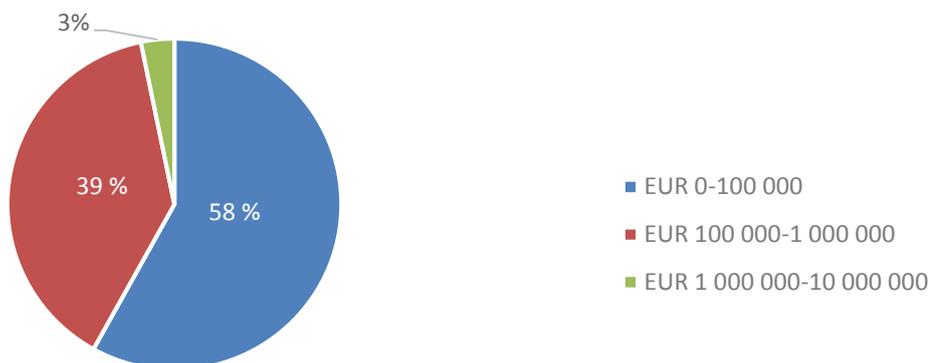
It comes as no surprise that the assets of almost all the respondents (32 out of 33) had the form of current assets, while only some of them also invested part of their assets in securities (nine foundations) and fixed assets (four foundations). But those that invested were the several big foundations so that the total amount invested in securities made up two thirds of the total amount of the assets (68.1 %).

## 3.3 Expenditure

### 3.3.1 Total expenditure

Most foundations' annual expenditure is below EUR 1 million; almost two thirds of them only spend up to EUR 100 000 per year. Only one foundation out of the 31 respondents spent more than EUR 1 million.

**Figure 13: Total expenditure according to category in Euros, 2012**  
As a percentage of the total number of foundations (N=31)



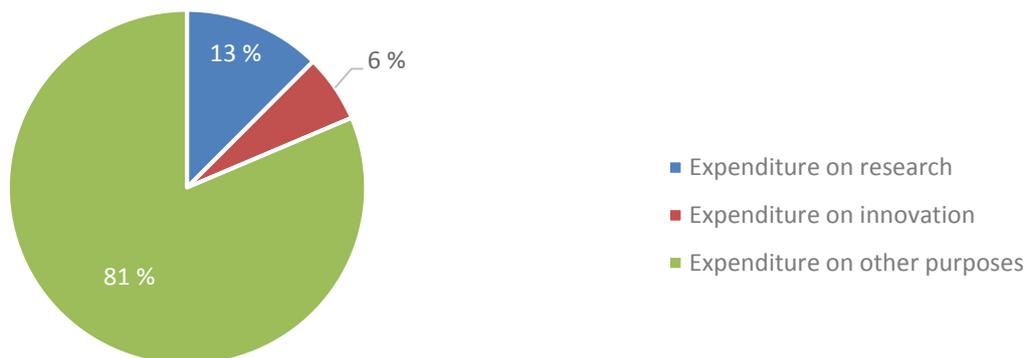
#### Statistics Expenditure

Number of foundations	31
Mean in Euros	376 594
Median in Euros	89 480
Total expenditure in Euros	11 674 415

When we look at how much of the total expenditure is allocated to research and innovation, it becomes clear that it is only a fraction (13 % for research and 6 % for innovation). The average amounts spent on research (EUR 59 000) and innovation (EUR 71 000) are not very impressive either.

**Figure 14: Distribution of total expenditure by research, innovation and/or other purposes**

As a percentage of total known expenditure (N=26)



#### Expenditure

	Euros
Research	1 294 026
Innovation	637 618
Other purposes	8 464 995
Unknown	1 277 776

The total amount spent on other purposes is seven times (!) higher than the expenditure on research and more than four times higher than the money spent on research and innovation combined. That is the best confirmation of the fact that we have already observed several times (see 1.3, 2.1 and the opening paragraph to Chapter 3 above), which is that there are very few foundations whose sole/principal purpose/activity is R&I and that most of the other foundations that include R&I in their mission only consider R&I secondary/subsidiary to their main activities and/or indeed have very little money to implement them.

An extract from an interview illustrates this clearly:

*In actual fact, research projects are quite rare with us ... research projects that we do ... or innovation ... we can only do them if we get a grant for them, otherwise we focus on other things, the services where we can make some money ... The services is what we really do, the innovation is like a bit of luxury ... when somebody pays us ...*

*(Interview F5)*

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Our big sample of the 520 R&I foundations showed the same characteristics: there were 53 research institutes in the sample, in which, naturally, research was a primary objective, and 28 institutions of further education, in which research activity could be taken for granted. But in most other organisations research (very often combined with education) and science were, inter alia, included in the mission statements, but only at, or towards, the end of the list of a foundation's objectives and/or activities. A typical example would be a foundation with a medical purpose such as Alzheimer's disease: its mission statement would say that the foundation would provide support and assistance to the patients, their families, the relevant hospital wards, old people's homes, hospices; it would publish educational brochures about the disease for the patients' families and for the general public; they would carry out informative campaigns about the disease for the public; and then, at the end of the list, they would also mention research.

### **3.3.2 Research expenditure**

A more detailed look at how the expenditure on research is subdivided shows that:

- More foundations support/operate applied research than basic research.
- More foundations support/operate research-related activities than direct research activities.
- In terms of total expenditure, slightly less than a half (45 %) is spent on direct research activities and slightly more than a half (56 %) on research-related activities.
- On average, a foundation spends more on its own operating costs (EUR 88 000) than on grants (EUR

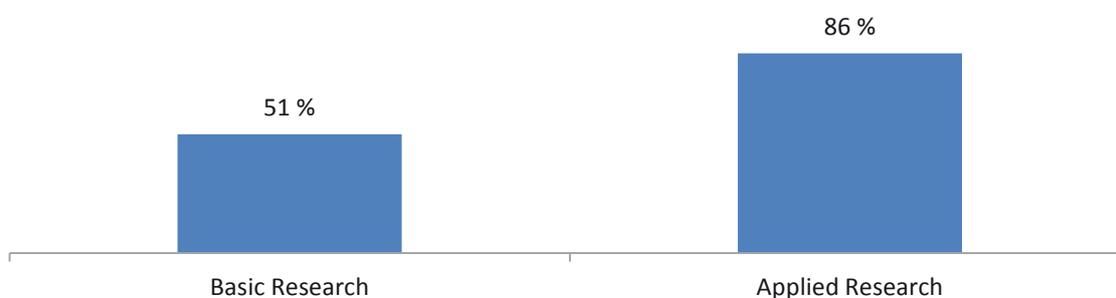
50 000); the maximum expenditure shows the same pattern: the maximum spent by a foundation on its own operating costs was EUR 420 000, while on grants it was only EUR 100 000.

These spending patterns are functions of the prevailing characteristics described so far: most Czech foundations are small operating foundations that prefer implementing projects of their own and/or supporting/operating research-related activities whose budgets are much lower than those of research projects proper. If a foundation can afford to make a grant, the role of the foundation is often in a small financial contribution to one element (such as dissemination or mobility) of a large project that is coordinated and implemented by a large organisation or a consortium that has received substantial funding, as a rule from public budgets. The foundation contributes a small fraction of the project's budget, usually for research-related activities. (See also the illustrative examples in Chapter 4 below.)

Distribution of expenditure on research: direct versus research-related		
Direct research (N=9)	314 027	24 %
Research-related (N=13)	371 931	29 %
Unknown	608 068	47 %
<b>Total expenditure on research</b>	<b>1 294 026</b>	<b>100 %</b>

**Figure 15: Distribution of expenditure on research: basic versus applied**

As a percentage of the total number of foundations (N=43)



Distribution of expenditure on research basic versus applied:		
Basic research (N=24)	477 424	37 %
Applied research (N=24)	681 582	53 %
Unknown	132 020	10 %
<b>Total expenditure on research</b>	<b>1 294 026</b>	<b>100 %</b>

### 3.3.3 Innovation expenditure

In the subdivision of expenditure on innovation the tendencies described in 3.3.2 above are even more pronounced:

- 92 % of the respondents financed their own operating costs, while only 38 % of them also made grants.
- The maximum expenditure by a foundation on its own operating costs was EUR 280 000, while on grants it was only EUR 36 000.
- In terms of the total expenditure on innovation by all the respondents, 93.3 % was spent on own operating costs and only 6.7 % on grants.

These findings are attributable to the fact that almost all foundations that support/operate innovation are operating foundations (public benefit companies), and that most foundations that support/operate both research and innovation spend much more on research than innovation.

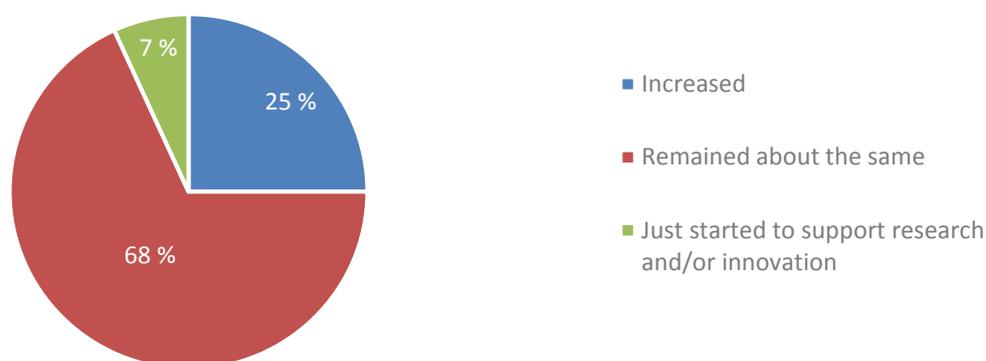
The respondents offered 30 examples of innovation projects. Interestingly, only seven of them were true innovation projects that developed concrete innovations (such as new software solutions, foetal surgery, new heating technologies or new coatings for metal surfaces). The others dealt with related activities such as networking and dissemination (seven), communication and education (seven), infrastructure (three), buildings and equipment (two) and mobility (one). These findings support the findings from research (in 3.3.2 above): both the foundations supporting/operating research and those supporting/operating innovations spend more funding on related activities than on direct research/innovation activities.

### 3.3.4 Changes in expenditure

44 foundations responded to questions about the changes in their R&I expenditure: actual changes from the previous year and expected changes in the next fiscal year:

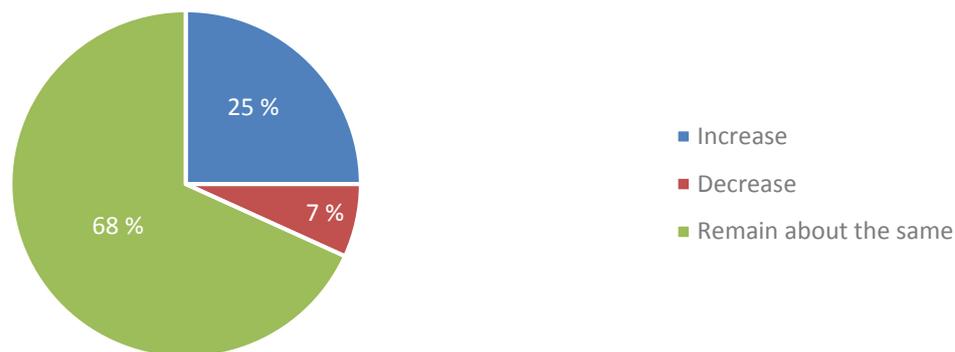
**Figure 16: Changes in expenditure on research and innovation compared to the previous year**

As a percentage of the total number of foundations (N=44)



### Figure 17: Changes in expenditure on research and innovation, expectations for next year

As a percentage of the total number of foundations (N=44)



Compared to the previous fiscal year, 25 % of foundations reported an increase, not a single one reported a decrease, and 68.2 % reported no significant change (for 6.8 % the year 2012 was their first year in which they had supported R&I). The increase ranged between 13 % and 200 %.

In the following year, 25 % of foundations expected to increase their R&I expenditure (a minimum increase of 10 %, maximum 600 %), 6.8 % expected a decrease (minimum 10 %, maximum 100 %), while 68.2 % reported that they expected their R&I expenditure to remain about the same.

While it is no surprise that most (slightly over two thirds) foundations reported that their R&I expenditure had remained stable over the years, the extremes in the reported changes are quite extraordinary: an actual increase of 200 %, an expected increase of 600 % or an expected decrease of 100 % are very dramatic changes. The explanation, confirmed in the interviews, is that if a foundation has a small R&I budget and if it depends on fundraising, the acquisition of a new grant, or the termination of a current grant, may change the R&I budget quite dramatically. Foundations with large R&I budgets and/or with income from an endowment or some other reliable source do not suffer from such fluctuations.

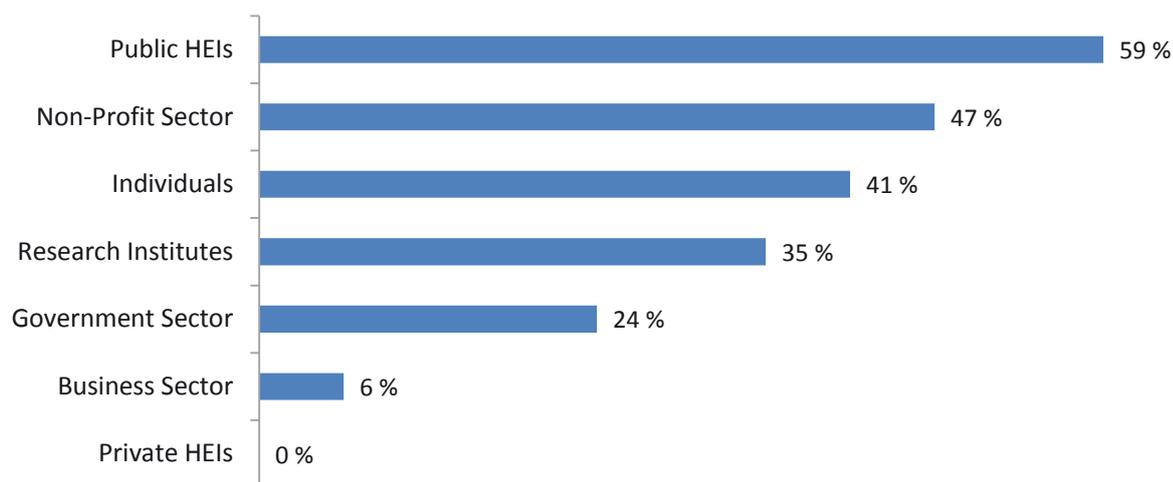
## 3.4 Focus of support

### 3.4.1 Beneficiaries

Unfortunately not many foundations offered information about their beneficiaries; nor did they fill in the percentages of their expenditure to the individual categories of beneficiary in the requested manner. But the number of respondents that indicated some degree of support for individual categories is enough to show that most support goes (in that order) to public universities, nonprofit organisations, individuals, and then research institutes. While the government also receives some support, the least favoured beneficiary is business.

**Figure 18: Beneficiaries**

As a percentage of the total number of foundations, multiple answers possible (N=17)



### 3.4.2 Research areas

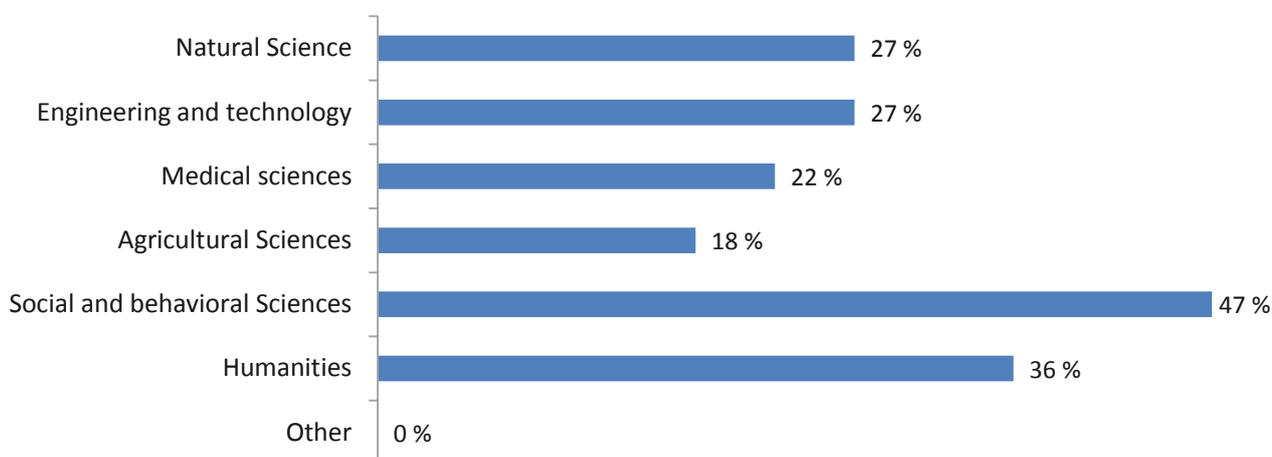
45 foundations indicated which area of research they supported/operated in and whether or not they had also supported that area/those areas in previous years, but only 19 of them (42.2 %) added the amounts they had spent on that area. The data are therefore good indicators of which thematic fields Czech foundations direct their support/activities to, but the financial data are less reliable.

With this reservation in mind, the most popular areas over time are (in that order) social and behavioural science, engineering and technology, natural science and the humanities, with medical and agricultural science somewhat lagging behind.

If foundations supported/operated more than one, it was engineering and technology, which was ranked first most often in order of expenditure, followed by social and behavioural science and medical science.

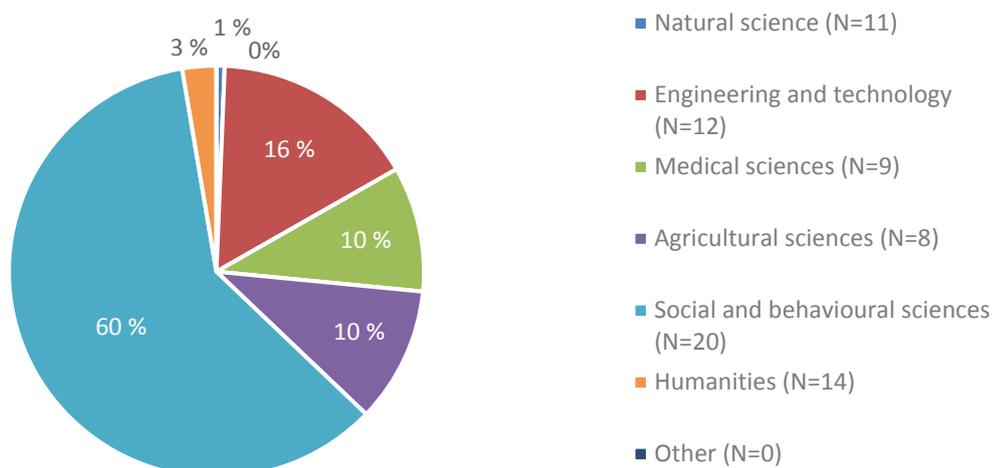
**Figure 19: Research areas**

As a percentage of the total number of foundations, multiple answers possible (N=45)



**Figure 20: Research areas**

As a percentage of the total known expenditure on research



Expenditure	Amount in Euros
Natural science (N=11)	5 800
Engineering and technology (N=12)	145 880
Medical sciences (N=9)	89 227
Agricultural sciences (N=8)	96 400
Social and behavioural sciences (N=20)	546 160
Humanities (N=14)	24 033
Other (N=0)	0
Unknown	386 526
<b>Total</b>	<b>1 294 026</b>

A comparison of the shares of research areas in the whole sample of 520 R&I foundations (see Figure 20 above) shows that the strong position of social sciences in the big sample has even become a dominant position in terms of both the number of foundations and (even more so) the total known expenditure for the 45 respondents. Such a result is no doubt related to the focus on the rehabilitation of social science and the humanities as the academic disciplines that were most devastated under the Communist regime. After the fall of communism in 1989, a lot of attention, effort and investment was devoted to the rectification of the situation in these disciplines and, in addition to universities, research institutes and publishers, many nonprofit organisations, including foundations, set themselves this task (see also the discussion in 3.7.2 Motivations below). Interviewee F4 is one example of such a foundation (which supports the introduction of a multidisciplinary social science field that was non-existent prior to 1989), and Innovative Example (c) is an illustration of a project aimed at the rehabilitation of philosophy.

On the other hand, medical science, which was the (declared) purpose of 26 % of the foundations in the big sample and of 22 % of the respondents, represented as little as 10 % of the total known expenditure. The explanation offered in the interviews (F1 and S1), and even more tellingly illustrated by Innovative Example (a), was that medical research was very expensive and that there was no Czech foundation that

was rich enough to support it. While medical research was a desirable charitable objective, and many foundations declared it as their purpose, most were limited to small contributions, mainly to research-related activities (as in the innovative example), or were unable to support/operate medical research at all because of the high costs.

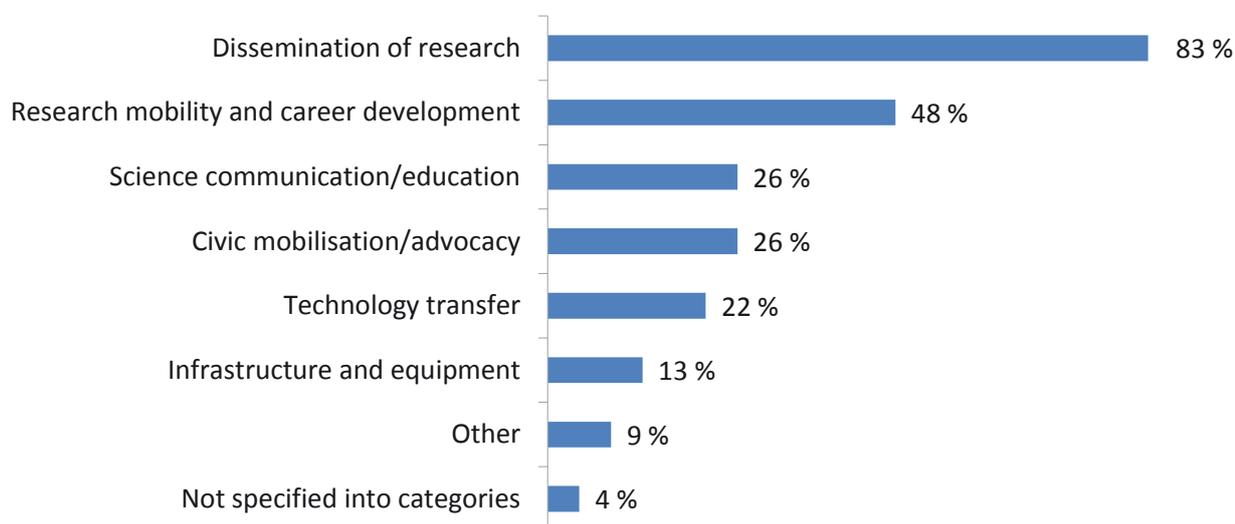
### 3.4.3 Research-related activities

The same problems as those described in 3.4.2 above occurred in the responses to the questions about research-related activities so that the data are less reliable than would be desired.

In spite of that, they seem to be representative because they relate very well to the findings from the interviews and to the roles of the foundations that are visible in the innovative examples.

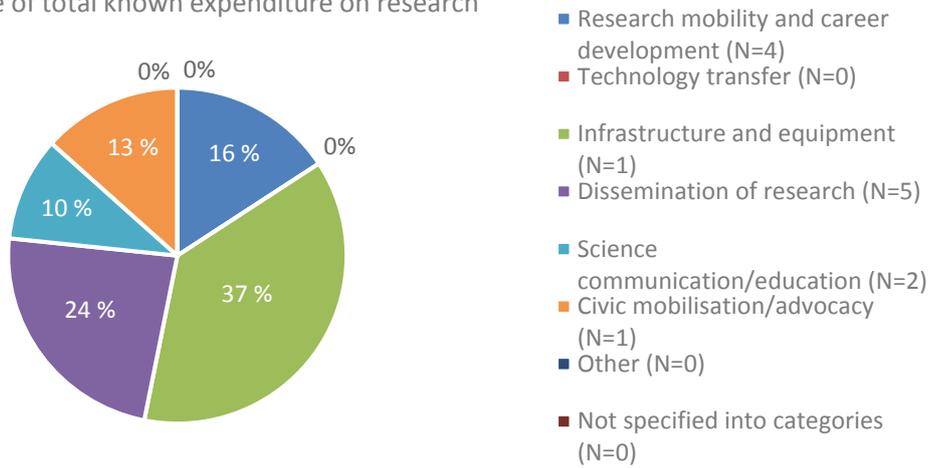
**Figure 21: Research-related activities**

As a percentage of the total number of foundations, multiple answer possible (N=22)



**Figure 22: Research areas**

As a percentage of total known expenditure on research



Expenditure	Amount in Euros
Research mobility and career development (N=4)	42 200
Technology transfer (N=0)	0
Infrastructure and equipment (N=1)	100 000
Dissemination of research (N=5)	62 920
Science communication/education (N=2)	26 800
Civic mobilisation/advocacy (N=1)	35 680
Other (N=0)	0
Not specified (N=0)	0
Unknown	1 026 426
<b>Total expenditure</b>	<b>1 294 026</b>

The most preferred research-related activities in our respondents over time were (in that order) dissemination of research, research mobility and career development, and then science communication/education (see Figure 21). Interviewees F3, F4, F5, F6 all commented that they spent a large share of their funding on dissemination, researcher mobility, career development, ‘promotion’ and ‘education of the public’ because they thought them (i) to be important to the rehabilitation, development and innovation of their academic fields, and (ii) for two of them research-related activities were the only activities they did because they did not have money for larger undertakings (F4) or because networking and the transfer of knowledge/innovation was their declared mission. Both interviewees S1 and S2 agreed that what their universities invariably obtained from Czech foundations were small contributions to ‘publications,’ ‘travel,’ ‘conference participation’ or ‘summer courses.’ S2 even opined that career development (of budding scientists) is what foundations should primarily do.

*We currently have one thing only, we award annual prizes to young ... to doctoral students or young scholars ... for the best paper, publication in this field. Or a piece of research ... research report ... We do not have money for more. ... And we then can try to help the winners with publication, we recommend a journal ... introduce the young person to people ...*

*(Interview F4)*

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*I believe that the best that they can do for the future is to support young talent ... It's the best investment ... and you don't need much, Czech foundations don't have much money, but this is what they could do with the little ... But I'm not talking money here, I do think that it is the best thing foundations can do in any case.*

*(Interview S2)*

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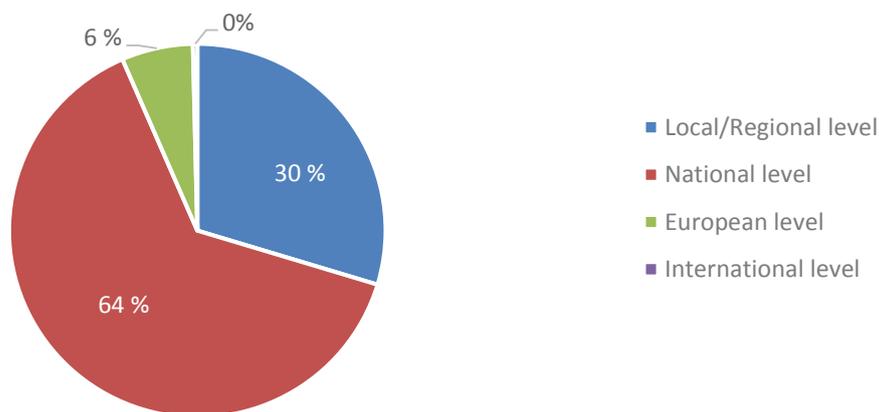
## **3.5 Geographical dimensions of activities**

### **3.5.1 Geographical focus**

Most Czech foundations are active nationally and on a local/regional level; a European or international focus is much rarer (6 % and 0.4 %, respectively). This holds true for both the number of foundations that identified their geographical focus and the total sum of funding that foundations allocate to the four levels.

### Figure 23: Geographical focus of support

As a percentage of the total (known) expenditure on research and/or innovation (N=25)



Geographical level	Amount in Euros
Local/regional level	588 129
National level	1 221 503
European level	110 909
International level	7 503
Not allocated	3 600
<hr/>	
Total expenditure on R&I	1 931 644

11 foundations commented on the difficulties they had encountered in their work in other EU countries. Nine foundations reported that they had not encountered any problems; the remaining two foundations identified cultural difficulties, political/policy difficulties and problems with intellectual property rights.

We also asked this question in the interviews, where two interviewees complained about legal problems and five about problems of language. But in either case they identified the problems on the Czech side: Czech institutions were reluctant to accept contracts signed under a foreign jurisdiction, and Czech participants in international projects did not speak English and/or other languages well enough.

### 3.5.2 The role of the European Union

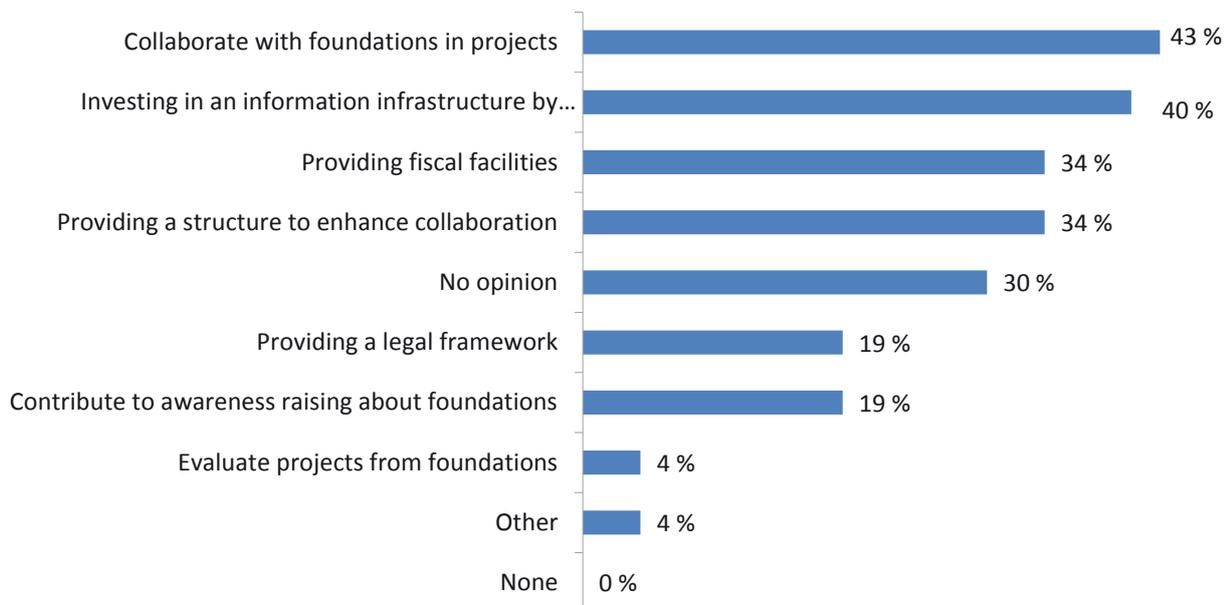
Figure 24 below shows the percentages of respondents that identified themselves with the suggested options. The clear winner is the idea that the EU should collaborate with foundations on projects. If we combine this with the option that says the EU should provide a structure to enhance collaboration, the support for the idea of collaboration becomes even more pronounced. Strong support was also expressed for investing in an information infrastructure by databases, followed by providing fiscal facilities.

On the other hand, almost one third of the foundations expressed no opinion about a possible role for the EU. This was also echoed in the interviews: three interviewees could not think of any way that the EU might be useful to private foundations, one even said that the less the Czech State and the EU interfered with private foundations the better.

Two suggestions were identified in the 'Other' category: (1) 'the EU should provide a unified framework for cross-border giving by e.g. establishing a European donation instrument for SMS giving and other electronic tools for fundraising and giving;' (2) 'the EU could make use of private foundations to administer grant schemes.'

**Figure 24: Role of the European Union**

As a percentage of the total number of foundations, multiple answers possible (N=47)



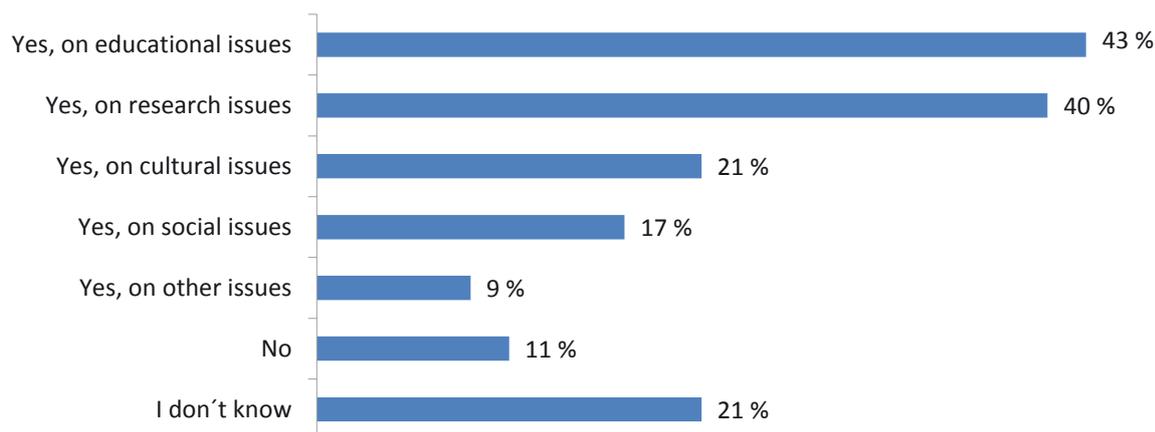
### 3.5.3 Contribution to European integration

Figure 25 shows the percentages of respondents that identified themselves with the suggested options in Q30. The respondents agreed that their work most contributed to European integration on (in that order) educational, research and cultural issues. Five foundations claimed that they did not contribute to European integration and ten expressed no opinion.

With regard to other issues, four foundations (erroneously) gave examples of the concrete projects that they had implemented, but they failed to group them into one area of integration: one was a contribution to legal/legislative issues, two to research and one to social issues.

### Figure 25: Contribution to European integration

As a percentage of total number of foundations, multiple answers possible (N=47)



## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

As Table 7 below shows, the responsibility for annual strategic planning rests mostly with the governing board, and much less with the original founder or the CEO (all eight answers in the 'Other' category). Since respondents were free to tick more than one category, it is reasonable to expect that the participation of the original founder in strategic planning will take place through his/her membership on the governing board because the board is by law the organ that is responsible for these decisions.

**Table 7: Responsibility for defining annual strategy**

Annual strategy responsibility	Number of respondents	% in sample
Original founder	10	18.5
Governing board with appointed members	27	50
Governing board with elected members	18	33.3
Other	8	14.8

Czech foundations must by law have both governing and supervisory boards. The number of members of governing boards ranged between three and 16, three members being the most frequent number (53 %), followed by six (14 %) and nine (12 %). The average was 5.36 members. The supervisory boards in our sample had between one and 13 members, most supervisory boards (78 %) had three members, which is the number required by law. <sup>[13]</sup>

13 If a foundation's assets are lower than CZK 5 million (EUR 200,000), however, the supervisory board need not to be established.

28 % of foundations in our sample functioned on a fully voluntary basis and 72 % had professional paid staff. Table 8 below shows how many FTE staff they employed. More than half the respondents had fewer than five FTE professional staff, the lowest number was 0.3 FTE workers. Higher numbers of staff, however, were also represented because public benefit companies (= operating foundations) can sometime employ quite a lot of people: the highest number of FTE staff in the sample was 150.

**Table 8: Czech foundations: paid staff**

Professional paid staff (FTE)	Number of foundations	%
less than 5	23	56.1 %
from 5 to 10	7	17.1 %
from 10 to 20	3	7.3 %
from 20 to 30	1	2.4 %
from 30 to 40	3	7.3 %
from 50 to 100	3	7.3 %
more than 100	1	2.4 %
<b>Total</b>	<b>41</b>	<b>100.0 %</b>

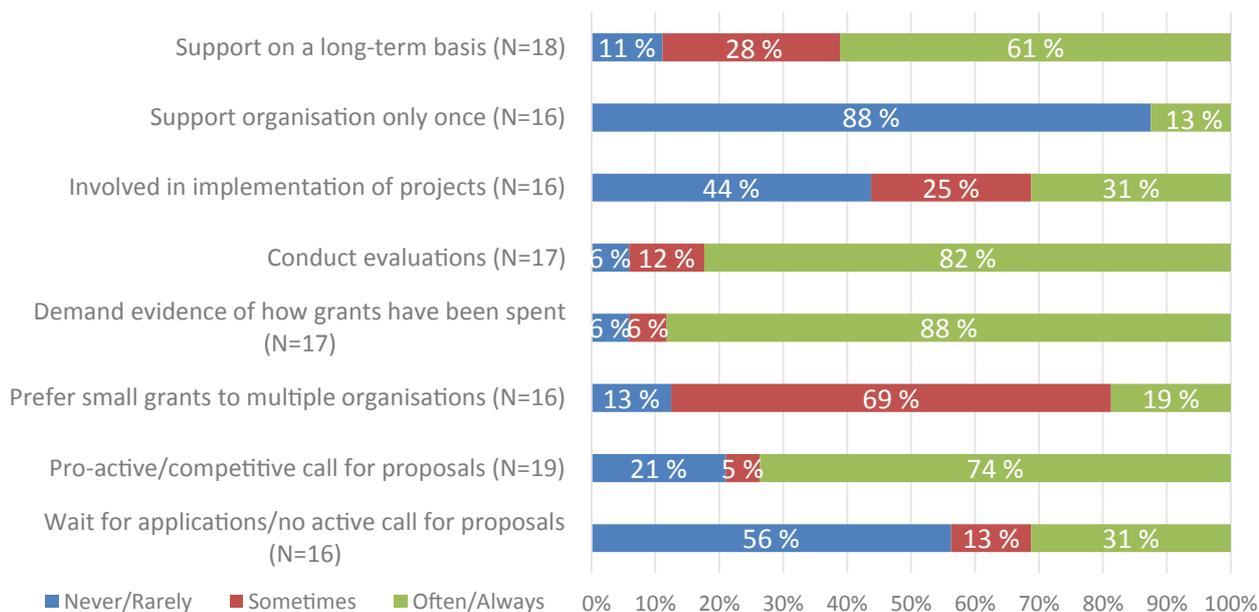
### 3.6.2 How do grantmaking foundations support research?

The respondents were asked to identify themselves with eight statements describing their different approaches and practices in the grantmaking process. The highest approval was granted to these proposals:

1. Our foundation demands evidence of how grants have been spent after funded projects have been completed.
2. Our foundation conducts evaluations to assess whether a grant was successful and why.
3. Our foundation pro-actively searches for projects (e.g. through competitive calls for proposals).
4. Support from our foundation is on a long-term basis (i.e. a specific amount every year for a project over multiple years)

**Figure 26: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations



In the interviews, however, the favourable picture of a watchful foundation was slightly tarnished: four out of the six foundations admitted that their evaluation was very formal and superficial and that what they did was little more than making sure that a report has been received.

*Well, we make sure that we have received a report and ... see ...one of us looks at it ... and the figures, sometimes there are appendices, we look at those, and if it's alright ... No, we don't discuss the projects, the completed projects, in our meetings, at least I can't remember that we have ever done ...*  
*(Interview F1)*

Opinion was divided on these options:

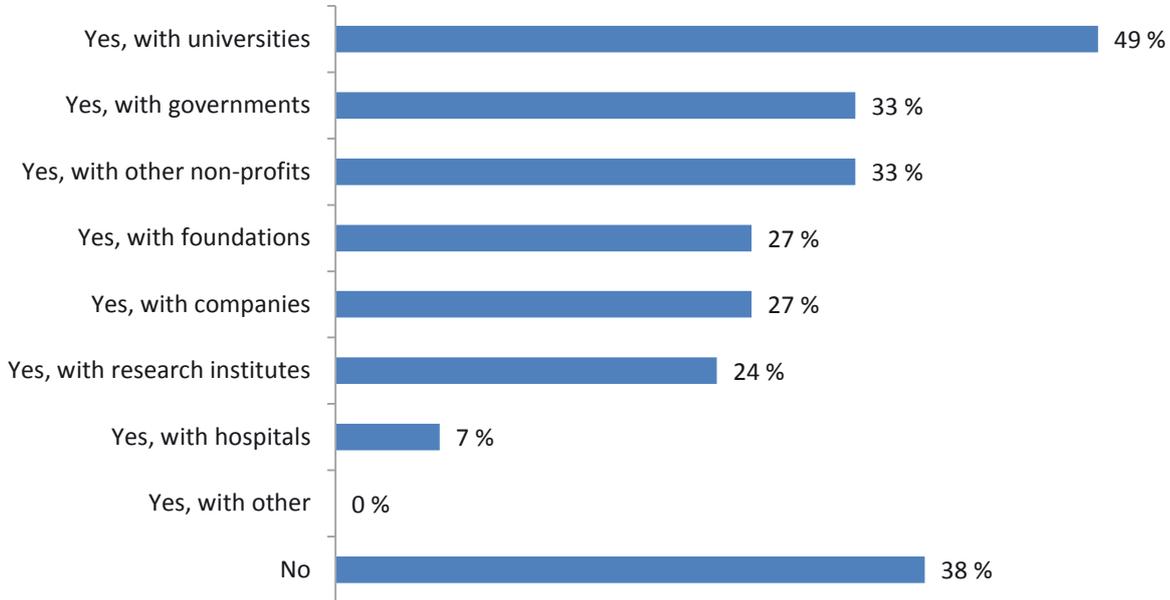
- Our foundation waits for applications from third parties, with no active call for proposals.
- Our foundation prefers 'small' grants to multiple organisations/individuals over 'large' grants to few organisations/individuals.
- Our foundation is involved in the implementation of any project which it funds.

Most foundations disapproved of the following option:

- Our foundation supports an organisation only once (i.e. projects can receive a grant one time only).

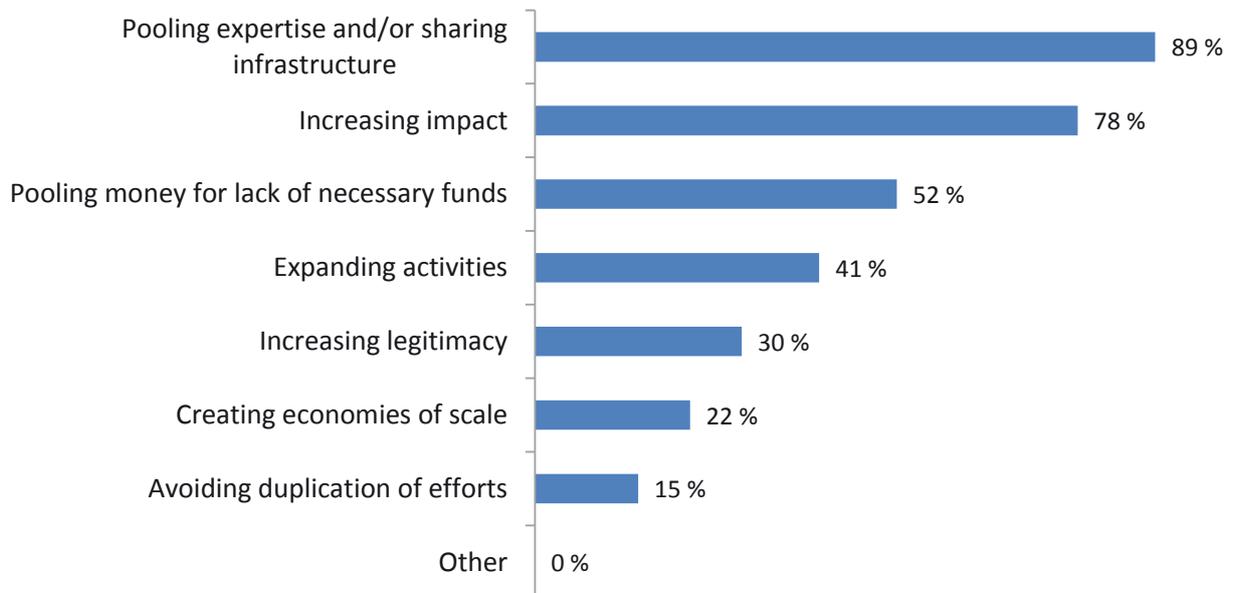
**Figure 27: Partnerships**

As a percentage of foundations, multiple answers possible (N=45)



**Figure 28: Motivations for partnerships**

As a percentage of foundations, multiple answers possible (N=27)



### 3.6.3 Engagement in partnerships

Out of the 45 respondents, 17 (38 %) said that they did not develop joint research activities in partnership with others. The others did, and Figure 27 below shows that the most frequent partners were universities, other nonprofits and the government. Other foundations were fairly frequent partners too, as well as companies.

Of the 28 foundations that engaged in partnerships, the following shared their reasons for doing so:

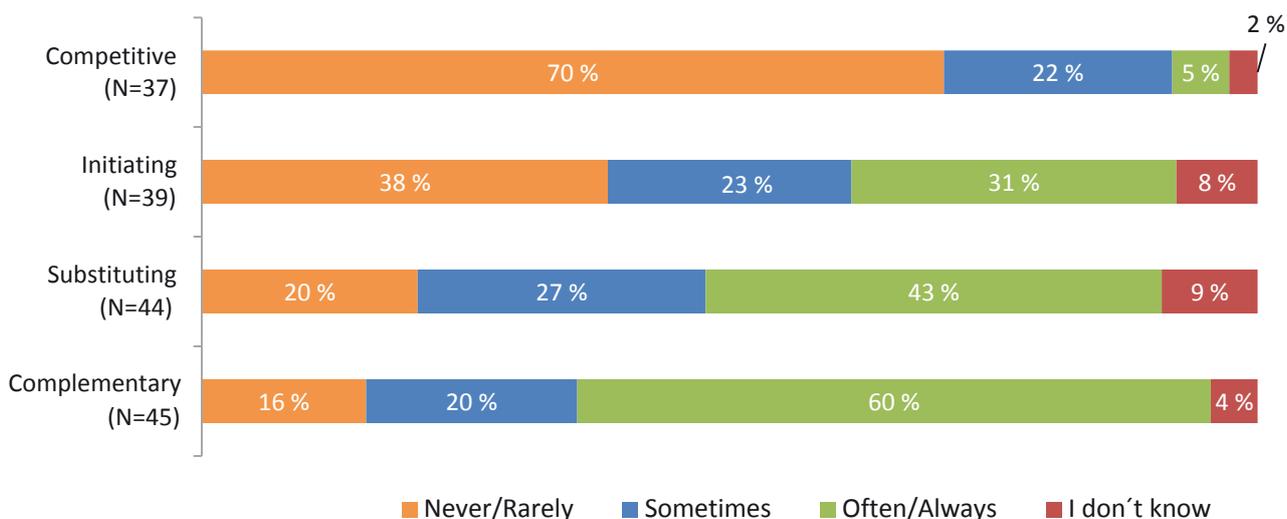
Pooling expertise and/or sharing infrastructure, increasing impact and pooling money (in that order) were the strongest motivators for partnerships in our sample. The high percentages for individual options also indicate that as a rule a combination of three to four reasons leads foundations to forming partnerships with other entities in the R&I field.

## 3.7 Roles and motivations

### 3.7.1 Roles

**Figure 29: The roles of foundations**

As a percentage of the total number of foundations



When asked to identify themselves on a scale of 1-5 from 'never' to 'always' with four proposed roles that they play in the domain of R&I, the respondents:

- Most agreed with the complementary role.
- Partly agreed with the substituting role.
- Were divided on the initiating role.
- Disapproved of the competitive role.

The overwhelming agreement on complementary roles is hardly surprising: it reflects the financial weakness of Czech foundations. With the little funding that they can offer for either grants or the implementation of projects, they very often feel that the best use of their modest means is to support/implement a small contribution to a larger research undertaking.

*We can only make small grants with our money. We support a translation or a publication or a trip abroad ... the people are working on something, have written a book, for instance, or have a grant, but not ... the grant is not for everything ... so we give them a little to publish or to make a short trip to visit a workplace in Europe...*  
(Interview F3)

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The second most popular option, the substitution role, corresponds to the original motivations of many founders, especially those that established their organisations soon after the fall of Communism, when they felt there were large gaps and inadequacies in our academia and/or in what the State was supporting (see also 3.7.2 below).

*What interests us is multidisciplinary and interdisciplinary, all the nominations must be like that ... It was practically non-existent when our founder came here from exile, he saw that ... and it is his belief and his approach ... all his life ... So it was clear we wanted to work in that direction ... And it hasn't in fact improved, it's still the same, people do not work like that in the universities.*  
(Interview F4)

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### 3.7.2 Motivations

What leads foundations to take up research and/or innovation as their purpose or one of their purposes? To answer this question, we searched through foundations' annual reports, websites and strategic documents, as well as raising the topic in interviews. The answers varied, of course, but three motivations for the establishment of R&I foundations came up most often:

1. The intention of the founder(s), who are, however, activists, not donors: since most Czech foundations and almost all charitable funds and public benefit companies are established as operating foundations without a financial endowment, the founders are as a rule people that wish to work for the development of a certain scientific field, an academic discipline or a specific research objective. They are often experts in that field, who believe that they can achieve the desired progress themselves, or with a team of other experts, and that they will be able to raise the necessary funding for their cause.
2. The essential importance of research and innovation for economic and social development: it is widely accepted in Czech society that education and science are the most important driving forces behind a nation's prosperity and sustained well-being. That is why they are strong motivations for the establishment of R&I foundations, and that is also why foundations with a multiple or general purpose include science and research (and education) in their mission statements.
3. The desire to rehabilitate and to develop scientific and scholarly fields that suffered from neglect, underfunding or even persecution during fifty years of totalitarian regimes: this motivation overlaps with the first motivation above, of course, but is probably peculiar to the situation of a post-Communist country. Cynically speaking, all independent science and research found little favour with the Communist regime, but this motivation is particularly typical of the humanities and social science because they suffered the most: whole academic disciplines and large areas of enquiry were completely banned and/or perverted (philosophy, religion, history, literature, law, anthropology, economics, political science, psychology and sociology).

Further motivations that were identified or mentioned in the interviews included:

- The development of research, theories and scientific inquiry that are alternative to mainstream science.
- The development of new approaches that are ignored by established academic institutions, including multidisciplinary and interdisciplinary research.
- The preservation of a scientist's estate and/or a further development and dissemination of his/her research and thinking.
- The provision of risk capital for innovative, unorthodox scientific and technological solutions.
- Research that is supportive of a corporate foundation's business activities.

# 4 Innovative Examples

Examples of innovative practices were offered by the respondents to the questionnaire, and further examples were identified from the qualitative data (interviews), annual reports and websites, and through searching the Internet.

The results of the search were far from satisfactory. As mentioned in 3.3.3 above, most innovation projects offered by the respondents were aimed at related activities rather than ‘tangible’ innovations. And when we looked in greater detail at those projects that were true innovations, we discovered that the role of foundations was, as a rule, very marginal. This pattern then continued to dominate in all the other innovation projects we were able to find: the projects operated by the foundations, or co-operated by them, tended to consist of activities related to R&I rather than directly addressing a research or an innovation issue; and in those projects that had a direct research or innovation objective, the role of the foundation tended to be minimal and/or marginal.

In the end, the four projects that we selected illustrate four roles that we identified in the sample. The first two were quite common in the sample, typical of the role that a foundation tends to play in R&I in the Czech Republic: the role of a minor contributor (the first example) or that of a consumer rather than contributor (the second example). The other two are rarer examples in which a foundation plays a leading and active role: it thus provides a real contribution to R&I. The roles could be characterised as follows:

- (a) The foundation as a (minor) member of a consortium + it contributes financially to the project.
- (b) The foundation as a (minor) member of a consortium + it implements part of the project activities with funding from a grant received by the consortium.
- (c) The foundation as a contributing member in a partnership + it co-funds and co-implements a project.
- (d) The foundation initiates a project, provides seed funding, puts together a consortium, which raises project funding, and the foundation proceeds to coordinate the implementation of the project.

Short descriptions of these examples follow, accompanied by an assessment of the role of the foundation in the project and a final evaluative comment:

## **(a) Project: Foetal surgery in babies with congenital abnormalities and defects.**

An example of a successful international partnership and the introduction of new service.

Project consortium: Institute for the Care of Mother and Child, Prague; University Hospital of the Catholic University of Leuven; Nadační fond pro zdraví dětí (Endowment Fund for Children’s Health).

Aim of the project: to establish the first medical clinic capable of performing foetal surgery in central/eastern Europe.

Project activities: construction of a new medical centre for foetal surgery; purchase of equipment; training of the medical team; establishing research into foetal medicine. Project duration: 2010-2012.

Funding: ESF/EU (90 %), Institute for the Care of Mother and Child (9 %), Nadační fond pro zdraví dětí (which regrants the annual contribution from its founder) (1 %).

Activities of the foundation in the project: financial contribution to the costs of transport between Prague and Leuven, conference expenses of the Czech specialists.

The project: an example of an innovation project, based on the transfer of know-how from other countries.

The foundation: The Fund for Children's Health (legal status, charitable fund) is a typical parallel foundation, established by a corporate donor (the largest residential developer in the country) and doctors from the Institute for the Care of Mother and Child. It only supports, and raises funding for, the Institute. It has no staff, it is administered by the founder, and it does not possess any assets. It annually receives funding from the founder, a corporate donor (around EUR 40 000). In addition, it manages to raise a little from other donors (EUR 4-8 000).

The role of the foundation: a small financial contribution to one element (mobility) of a large project. The foundation re-grants money received as an annual contribution from its founder and raised from other donors.

Comment: this pattern was fairly common in the sample. A foundation as a minor partner in a project coordinated and implemented by large organisation(s) that have received substantial funding, as a rule from the public budget. The foundation contributes a small fraction of the project budget, usually for research-related activities. A closer analysis often reveals that the foundation is a parallel foundation associated with the principal coordinator, and that it is more often than not a grantseeking foundation which only re-grants the money from other donors.

### **(b) Project: Advanced heating and power-generating technologies.**

An example of a successful partnership and the introduction of new technologies.

Consortium: a large consortium of four public universities, eight for-profit corporations and one foundation, Institut pro rozvoj vědy a techniky (Institute for the Development of Science and Technology).

Aim of project: the application and introduction of the most recent and most advanced technologies in practice.

Project activities: applied research for innovation, the technological design of new solutions, testing new solutions and their introduction in practice. Duration of the project: 2012-2019.

Funding: Grant from the Technology Agency of the Czech Republic.

Activities of the foundation in the project: Compiler and author of the grant application, co-administrator of the project.

The project: a large applied research and innovation project based on partnerships between academic institutions and for-profit companies.

The foundation: The Institute for the Development of Science and Technology (legal status public benefit company) defines itself as a consultant that provides 'information and analytical services in the area of the energy industry, energy engineering, energy savings and sources of renewable energy.' It explicitly says in its mission statement that it offers 'consultation, information and analytical services for the preparation of projects for public tenders and EU calls.' It is thus clear that it differs little from a commercial consultation firm. This is confirmed by the structure of its income, all of which comes from the sales of services.

The role of the foundation: no financial contribution to the project, no contribution to the activities of the project. It had the task of coordinating the preparation of, and of writing, the grant application to the Technology Agency of the Czech Republic; within the project it was responsible for certain administrative tasks.

Comment: variations on this pattern were the most frequent in the sample. It is foundation as a minor partner in a project whose activities are implemented by the core members of the consortium. It, however, profits from its participation, in terms of both financial income and prestige. A closer look at the details of the project reveals that in actual fact the foundation sells its know-how in the form of project writing and project administration to the consortium. It therefore does not contribute to the project financially, and it in fact uses part of the grant from public money.

### **(c) Project: The Annual French-Czech-Slovak Philosophy Symposium**

An example of a successful international partnership and an innovative project with significant impact.

Project partners: a joint long-term international project by the Jan Hus Educational Foundation (Brno, Czech Republic), Association Jan Hus (Paris, France) and the P. J. Šafárik University Foundation (Košice, Slovakia).

Aim of project: support for mutual cooperation and exchange in philosophical research between French, Czech and Slovak philosophers.

Project activities: annual meeting of French, Czech and Slovak philosophers and philosophy students as a culmination of a year's work and cooperation. The symposium takes place in one of the three countries each year, the participants present and discuss the results of their research.

Activities of the foundation in the project: a financial contribution which covers the expenses of the Czech participants as well as a contribution to the cost of the symposium. Participation by the foundation's staff in the preparation, organisation and management of the symposium.

The project: an example of an international project that supports research-related activities. The foundation would not have enough money to support any larger number of research projects in philosophy, to say nothing of international projects, but can co-fund an annual event in the form of a symposium. The value of the project is in its long-term support for the cooperation of scholars from the three countries: the symposium has been an annual event since 1990 (and developed out of clandestine cooperation between philosophers before 1989).

The foundation: The Jan Hus Educational Foundation (legal status, foundation) is a private medium-sized endowed foundation, established by three individual founders for the support of higher education in the areas of the humanities and social science. As part of its support for the development of these academic disciplines, it also supports a limited number of research projects and the career development of young scholars.

The role of the foundation: the project is based on a partnership between three foundations from the three participating countries that share the cost of the project and jointly work on its implementation. The foundation uses income from the endowment for the project.

Comment: this was a rare example of project in the sample in three respects: (i) It was initiated and implemented by three equal partners which pooled their financial sources and administrative forces in a long-term international project, the coordinating role being played by the partner in whose country the event takes place in a given year. (ii) The partners differ in legal status and sources of income, but the Czech foundation uses its own financial resources, not having to turn to the use of public funding. (iii) The project has a wide-ranging impact due to its longevity (21 symposia so far, 1992-2012), as well as a ripple effect in the three countries.

#### **(d) Project: Moravian wine trails.**

An example of a successful wide partnership (foundation – nonprofit organisations – local government – regional government – business) with a significant impact.

Project partners: a large consortium of funders, implementing partners and regional and community governments led and coordinated by the Czech Environmental Partnership Foundation (*Nadace Partnerství*).

Aim of project: to introduce into the Czech Republic the concept of Greenways and the related concepts of sustainable tourism, ecotourism, agritourism and culture tourism, and, using these concepts, to establish and gradually develop a long-term project of cultural heritage protection and viticulture tourism in South Moravia.

Project activities: the study of the Greenways concept and related concepts; their adaptation to the Czech environment; the selection of a suitable geographical area; negotiations with the Government of South Moravia and with the municipal and village councils in the selected area; the gradual building of a project consortium; research into legal and economic issues; design of the Moravian Wine Trails and a plan for their implementation; fundraising for the project; expansion of the consortium to include travel agencies, heritage protection agencies, local entrepreneurs, and above all the wine makers, local museums and other cultural institutions etc.; and finally the implementation of the project itself: construction of the infrastructure, publication of guidebooks and maps, national and international PR campaigns and launches. The project started in 1999 and has been developing and progressing ever since.

Today the Moravian Wine Trails is almost 1 250 kms of cycling and hiking trails through the orchards, vineyards and wine cellar alleys of South Moravia. The main route connects Uherské Hradiště in the eastern part of the region with Znojmo, a medieval town on the Austrian border. Ten loops feature typical types of wine and the wine cellar lane architecture creates a network of unique cultural heritage and viniculture. The visitors can choose a one-day or two-week tour to explore Moravian folklore, the wine, protected landscape areas, historic monuments and UNESCO Heritage sights. The system is continued in the Austrian Weinviertel with 13 main trail loops of 1 600 kms of signposted wine trails. The regions of South Moravia and the Weinviertel create a unique wine-growing area catering to the needs of cycling as well as wine and cultural tourists. The main vision of this project of Nadace Partnerství is to make South Moravia a prosperous region known as the 'Region of Monuments and Wine.'

The project: an example of a large innovative project with a far-reaching impact on the economy and social and cultural life of a whole administrative/geographical region of the Czech Republic. It was based on know-how transferred from other countries, but was adapted and further developed by the foundation. The foundation has played a conceptual, initiating and coordinating role throughout the project. It financed the early stages, led the fundraising campaigns during the decisive stages of the development of the project, and finally transformed the project into an enterprise in its own right.

The foundation: Nadace Partnerství (legal form foundation) is a private medium-to-large endowed foundation, which has been successful in multiplying the effect of its work by building around itself a large community of nonprofits, associates, partners and donors with whom it cooperates on a long-term basis. It is both grantmaking and operating: it has a grantmaking program, but it develops and implements most of its projects in partnership with public, business and nonprofit agencies and firms (hence its name) because it wants to make the projects independent and sustainable in the long run and create a lasting impact.

The role of the foundation: the project is typical of the style of work of this foundation: it initiates, develops, builds and leads a consortium, involving as many stakeholders as possible as partners at all stages of the project, and finally makes it independent and hands it over to the implementing partner(s). It provides the seed money but then involves the partners in financing the project with a view to eventually making it financially viable for the future.

Comment: this project was a very rare example of a best practice model in our sample. The same foundation could boast of more projects built on the same model. It combines the grantmaking and the operating approach. It provides funding for the project, but is well aware of the fact that it is not rich enough to finance large-scale multiple-effect and high-impact projects, it only provides the seed money and then raises funding from other sources, preferably involving the other funders in the project as active partners.

# 5 Conclusions

The research into foundations that support research and innovation in the Czech Republic encountered two principal problems, that of definition and that of identification:

(a) If the definition used in the EUFORI Study includes both grantmaking and operating foundations, the survey in the Czech Republic must cover three legal persons: foundations, charitable funds and public benefit companies. The problem is that Czech foundations are very weak and are thus grantseekers out of necessity; and the funds and the public benefit companies are grantseekers by definition. This research was thus predetermined to be illustrative of the grantseeking operating foundations, which, frankly, differ little from nonprofit or even for-profit service providers.

(b) The unreliability of all the databases and other sources of information meant that a large number of the R&I foundation-like organisations that were identified were no longer active; and too many foundations, while declaring their support for R&I in their mission statements, in fact only paid lip service to it and in reality limited themselves to other activities that were higher on their agenda. It was therefore difficult to say with any certainty how many of the 520 R&I organisations should have been excluded from the Czech sample.

The inactive foundations could of course not be reached; most of those that had had no activity in R&I ignored the invitation; and of the final number of 90 respondents, as many as 31 (= 34.44 %) said that they had not funded/operated any research and/or innovation activities between 2005-2012. The quantitative findings in this report are thus based on 59 foundation-like organisations: a low response rate in relation to 520 entities, but a good response rate in relation to the estimated number of de facto existing and relevant organisations.

Finally the good news: the final sample of 90 respondents was representative of the whole R&I population in terms of legal status (18 % foundations, 20 % funds and 62 % public benefit companies), involvement in R&I (66 %), assets (90 % without any assets) and the areas that they supported. This leads us to the conclusion that the quantitative data and findings present a credible portrait of R&I foundations in the Czech Republic.

## 5.1 Main conclusions

This section attempts to summarise in bullet points the main findings from both the quantitative and the qualitative research. All the conclusions are based on, and referable to, the more extensive discussions of the findings in Chapter 3, and the information obtained through the interviews and from existing literature.

Background to R&I: research in the Czech Republic is generally perceived as the responsibility of the State. Grantseekers do not as a rule think of foundations when they look for funding for research projects. Innovation seems to be almost exclusively in the hands of business, with substantial support from the State.

General information: all Czech foundations are legal persons in private law, and there are no public law foundations in the country. All Czech foundations (with one single exception) are new foundations, established after 1990.

Foundations' activities in R&I: between one third and one half of the foundations that declare their support for R&I in their mission statements, do not in fact take part in any R&I activities. In most R&I foundations, research and innovation are only supplementary to the main activities. Of the foundations that support R&I, one quarter are grantmaking, two thirds are operating and one tenth are mixed (both grantmaking and operating).

Founders: foundations can be established by natural persons and legal persons and any combination thereof. Among the founders we most frequently find private individuals/families (60 %), followed at a distance by corporations and other nonprofits (20 % each). In almost all cases the founders are not financial founders (original donors).

Assets: most Czech foundations are established with only a minimum endowment of the EUR 20 000 required by law. Almost all charitable funds and all public benefit companies are established without any capital. There were only four foundations among the respondents with any meaningful assets (four had between EUR 1 and 10 million and one had a little over EUR 10 million).

Income: the structure of income shows a dependance on fundraising and earned income; even endowed foundations depend on fundraising (because their endowments are very small). The sources on which foundations rely most are the government and sales of services, followed by donations from individuals and corporations. Their income is on average very low: 55 % of foundations reported an income lower than EUR 100 000 and only 9 % had an income higher than EUR 1 million.

Expenditure: Most Czech foundations' annual expenditures are below EUR 1 million, almost two thirds of them only spend up to EUR 100 000 per year. Of that overall expenditure, only a fraction is spent on research (12 %) and innovation (6 %).

Focus of support: most support goes to (in that order) public universities, nonprofit organisations, individuals, and then research institutes; the least favoured beneficiary is business. The most preferred areas over time are (in that order) social and behavioural science, engineering and technology, natural science and the humanities, with medical and agricultural sciences somewhat lagging behind. More foundations support/operate applied research than basic research, more foundations spend more funding on research-related activities than direct research activities, and more foundations spend more money on programs and projects of their own than on grantmaking.

Geographical focus: most Czech foundations are active nationally and on a local/regional level; European and international focus is rare (6 %). About half of them think that their work contributes to EU integration, the other half expressed no opinion.

Role of the EU: the most appealing option was the idea that the EU should collaborate with foundations in projects. Strong support was also expressed for investing in an information infrastructure through databases, followed by providing fiscal facilities. On the other hand, almost one third of the foundations expressed no opinion about a possible role for the EU.

## 5.2 Strengths and weakness of the R&I foundation sector in the Czech Republic

### Strengths

- A large number of foundations included R&I in their missions.
- Many foundations are staffed with, and/or can recruit, outstanding specialists in their fields.

### Opportunities

- Research and innovation enjoy high prestige in Czech society.
- Research and innovation are high priorities for the government.
- On the basis of national policies and strategies, with the help of new state-sponsored infrastructure, the government has recently created a favourable environment for the development of R&I.

### Weaknesses

- For most foundations, R&I are of minor importance in their portfolio. There are very few foundations whose principal aim is support for R&I.
- Almost all R&I foundations are grantseekers and not grantmakers.
- Most grantmaking R&I foundations are very small and/or spend very little on R&I.
- Most operating R&I foundations are much too dependent on external (public) funding, very often on one source of funding.
- Most R&I foundations focus on research, very few on innovation.

### Threats

- The tendency of politicians to attend to short-term populist causes rather than long-term strategic investment.
- Tax legislation does not offer sufficient incentives for establishing (endowed) foundations.
- A shortage of wealth in the population.
- The tradition of philanthropy was annihilated by the fifty years of totalitarian regimes and has been very slow in recovering.

## 5.3 Recommendations

### For foundations

- Make more use of partnerships. Research shows that successful projects with societal impact are based on partnerships. This was clearly apparent from the successful projects from which we selected the innovative examples for Chapter 4 – but the quantitative data from the survey reveal that almost 40 % of foundations do not engage in partnerships (see 3.6.3), and three of the interviewed foundations never thought of forming a partnership either.
- Diversify sources of funding. Too many (operating and grantseeking) foundations depend on one type, or even source, of funding.
- Invest strategically in activities where you can make a difference even with limited funding. Since Czech grantmaking foundations are very small, they should think creatively about how to make the best use of their limited resources: one of the best investments, suggested in the interviews with the stakeholders, is support for young talented scientists/scholars. While most R&I grantmakers cannot afford to fund research projects, they would have the means to help a talented young student or scientist to spend some time abroad, to go to an important conference, to attend a summer school or to write his/her first monograph.

### For business

- Make more use of partnerships. The projects we considered for the innovative examples in Chapter 4 revealed that firms usually formed partnerships with other firms and with the public sector, but rarely with universities and almost never with foundations or other nonprofits.
- Offer foundations better investment instruments. Banks should offer foundations advantageous instruments for the long-term investment of their endowments. This would encourage foundations to build their endowments, and individuals to establish endowed foundations.
- Make more use of the expertise that foundations have for innovation. Almost all innovation appears to be in the hands of business: corporations should make better use of the specialists that work in foundations. Czech foundations are weak financially, but since most of them are operating foundations, they can offer experts in their fields of specialisation.

### For the government

- Make more use of partnerships. The Czech public administration predominantly thinks of nonprofits as grant recipients and service providers only. Government agencies are reluctant to engage nonprofits in PP partnerships.
- Improve the legislative and fiscal environment for foundations. The single flat rate for tax relief that is currently applied to all nonprofit forms is not tenable. Czech nonprofits need a system of differentiated (graded) tax relief that would stimulate private giving, the building of assets/endowments, responsible financial management and the use of funding for public purposes.

## For the EU

Please note, these recommendations are based on the results of the quantitative survey (see 3.5.2 above) only. Disappointingly, none of the interviewed foundations offered any thoughts about the role of the EU or about what the EU should do to support foundations. One of the stakeholders even expressed a negative attitude by saying that governments and the EU should leave foundations alone (Interview S2). This lack of opinion on the role of the EU may be attributed to the geographical focus of Czech foundations' activities, which is almost exclusively regional/local and national. Czech foundations do not seem to think beyond national borders.

In response to the options in Q29, most foundations agreed that in relation to foundations the EU should:

- Collaborate with foundations in projects and provide a structure for enhancing collaboration.
- Invest in information infrastructure.
- Provide fiscal facilities.

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Denmark Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Steen Thomson  
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Research and  
innovation



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# 1 Contextual Background

## 1.1 The historical background

Charitable foundations have a long history in Denmark dating back to Catholic social institutions before the reformation. Foundations would be endowed with property (e.g. an estate) or financial assets and would serve their purpose through donations or operations such as a hospital or providing for the poor. After the Industrial Revolution, some foundations were also endowed with shares in a joint stock company, the brewery Carlsberg being a prominent example. These so-called industrial foundations became an important part of the Danish business landscape, partly as a shelter from high private wealth taxes during the 1970s and 1980s. Retaining ownership of the company became an important secondary or even primary objective for many industrial foundations. Converted mutuals provided an alternative source of new foundations for owners of banks or other financial institutions.

Historically, foundations were subject to voluntary supervision by the King, the Church or the relevant government ministries, but over time two foundation authorities have emerged; one for industrial foundations under the Ministry of Business and one for other foundations under the Ministry of Law. In the 1980s a series of new laws targeted the regulation and taxation of both industrial and non-industrial foundations; for example, a foundation register was established and industrial foundations became taxable on a par with private companies. The legal framework was updated in 2014 with an increased emphasis on the supervision, transparency and governance of foundations.

## 1.2 The foundation landscape

Danish foundations play a central role in Danish research and development. More than half of their donations go to research and their research donations account for some 15 % of total government research and development (R&D) expenditure, and 5 % of the total Danish R&D. They are particularly prominent sponsors of research in medicine and biotechnology. Additional donations to education and public buildings also indirectly benefit research institutions.

In Denmark, foundations play a unique role as owners of large and research intensive companies that account for about half of the total Danish R&D expenditure (Thomsen, 2012a).<sup>[1]</sup> In most cases, these companies have independent research co-operation with Danish research institutions. In some cases they support innovation, not by grants or operations, but rather by ownership, i.e. through foundation support startups. This is in effect support for innovation, but is not counted as such in this study.

There are some 1 300 industrial foundations and 10 000 non-industrial foundations in Denmark. Industrial

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1 Thomsen, S. (2012a). Industrial foundations in the Danish economy. Working Paper, Centre for Corporate Governance, Copenhagen Business School.

foundations are those that own business companies or are involved in direct commercial activity. They are subject to their own legal regime with a law on industrial foundations and a law on the taxation of foundations (more on this in section 1.3). <sup>[2]</sup> They have to submit annual reports to the Danish Business Authority, which are publicly available, meaning that we have relatively good information about this group of Danish foundations.

Non-industrial foundations are regulated by the Department of Civil Affairs under the Ministry of Justice. We know relatively little about the activities of non-industrial foundations since they are subject to a different legal regime and are not obliged to register or disclose their accounts. <sup>[3]</sup> However, some of the largest non-industrial foundations voluntarily disclose information on their donations.

Non-industrial foundations may have a general charitable purpose, but they may also have a more narrow purpose such as benefitting a founder's descendants. Similarly, industrial foundations may also have a charitable purpose – most of them appear to have one, or they may aim solely at business activity, or at supporting a founding family (Thomsen, 2012b). <sup>[4]</sup> The largest foundations combine business activity and charity: they own the majority shares in major private companies and use this dividend income for charitable activities and donations to research in particular.

It is important to stress that the term 'industrial foundation' is a functional definition as to whether or not a foundation owns a private company (or conducts other kinds of business). Many, but not all industrial foundations are philanthropic in the sense that they aim to benefit a general charitable purpose. Likewise, non-industrial foundations, which are not involved in business activities, may or may not be philanthropic in the sense of having a general charitable purpose.

Besides private industrial and non-industrial foundations, many foundations are established by government institutions. One government-sponsored foundation, Danmarks Grundforskningsfond, aims to 'promote and stimulate basic research at the highest international level at the frontiers of all scientific fields.' This foundation typically sponsors relatively large and long-lasting projects such as research centres.

Some associations with charitable purposes also support research and development. The largest ones are converted financial mutuals that administer the accumulated reserves of former mutual companies that are now converted to joint stock companies.

Historically, Danish foundations have been conservatively governed and have donated cautiously compared to the size of their endowments and accumulated reserves. We estimate that donations currently average 1 % of their book assets. However, in recent years, donations have been rising. This is largely a reflection of the success of the private companies they own. Foundations are required to fulfill their pur-

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2 Lov om Erhvervsdrivende Fonde <https://www.retsinformation.dk/Forms/r0710.aspx?id=131732>

3 Lov om visse Fonde og Foreninger <https://www.retsinformation.dk/Forms/r0710.aspx?id=138731>

4 Thomsen, S. (2012b). What do we know about industrial foundations? Working Paper, Centre for Corporate Governance, Copenhagen Business School.

pose, as stated in the charter, so the regulator will occasionally ask them to donate more. Many industrial foundations do, however, also have obligations to the growth and welfare of their private companies, which is something that has to be taken into account.

Government policy has cut back on public funding for a range of activities, which in some cases has made public institutions more dependent on private donations, but research spending has often been exempt from such cuts. The situation is thus less dire for universities. Nevertheless, universities are expected to attract more external funding in the future and to look to foundations as possible sponsors.

### **1.3 The legal and fiscal framework**

Act 970 from 1982 is the basis on which the legal framework for Danish foundations is built. The report describes, among other things, the reason for introducing two sets of laws: one for non-commercial foundations and one for commercial/industrial foundations. In short, the reason for this is that certain special considerations need to be taken into account regarding the specific features of commercial foundations (coming from their business activity). These are, for example, the better protection of creditors and other contractual partners, including employees (who have a right to board representation). Another reason is neutrality between the different laws governing business activity.

The first laws for foundations came into force in 1985. There was one each for non-commercial and commercial foundations, respectively. The first law on the taxation of foundations came into force soon after, in 1987 (applicable to both types). There was a general debureaucratisation in 1991. After that, the legal framework did not change notably until the so-called modernisation, which comes into force next year (enacted this year). The purpose of this is primarily to increase transparency, to strengthen the board of directors and also to strengthen the business authority (responsible for supervision).

The fiscal framework derives from the law on the taxation of foundations as mentioned above. Foundations are taxed in a similar way to limited liability firms (ApS) and joint stock companies (A/S). Due to their special purpose there are, however, some exceptions: the first DKK 25 000 is not taxed; foundations are allowed to deduct 125 % of their charitable expenses (the reason for this being to encourage donations to charities and to consolidate the foundations); they are allowed to deduct 100 % of donations to stated purposes that are not charitable (with the condition that the recipient is taxable); foundations are also allowed to deduct 100 % of any provisions for charities; finally, foundations cannot deduct more than their taxable income.

### **1.4 Research and innovation funding in Denmark**

Denmark has an ambitious research policy with R&D expenditure of more than 3 % of the GDP, of which 1 % is government and 2 % is private (slightly less than the 2 % promised in the Barcelona accord). Moreover, the government aims to stimulate private research even more and to rank among the top five OECD countries in 2020. Among the key priorities are that Danish universities should become more attractive business partners, that collaboration between research and industry should be enhanced in order to make faster use of research results, and to make them more accessible, for example to small and medium-sized

companies and government institutions.

Private foundations play an important role in this regard, both because they own large research-intensive business companies, and because they donate substantial sums to university research. The current government has emphasised a desire to increase cooperation between private foundations and government institutions, and some attempts have been made to make university administrations more flexible in this regard, but so far there have been few tangible policy initiatives.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

As mentioned, one of the defining characteristics of Denmark is its industrial foundations. These foundations are registered and monitored by the Business Authorities or the Department of Civil Affairs. The register contains no information about the purpose of these foundations – whether a foundation funds and/or operates research and/or innovation. This information was collected manually from previous publications, from direct correspondence with foundations, and from annual reports and websites.

From Thomsen (2012),<sup>[5]</sup> we know that the largest industrial foundations account for almost all the activity in this category – as well as in terms of donations. Among the industrial foundations, we are focussing on those with more than EUR 100 million in equity capital. This filter reduces the number of foundations to 34. These account for approximately 90 % of the total equity capital held by industrial foundations. Furthermore, we have identified 14 large and important non-industrial foundations. These foundations have not been registered on any central register since 1991, which means that identification is difficult and information is scarce. There are, however, a few sources that we have used besides our networks and local knowledge – Fondsdatabasen and Greens Erhvervsinformation. These sources were checked for their appropriateness and contacted as an attempt to increase their willingness to participate, 12 foundations being deleted from the list during this process, resulting in a final list of 36 foundations. Of these, 26 are industrial foundations and 10 are non-industrial foundations.

The representativeness of our sample is open to question. Based on our own data collection, we know that the industrial foundations in our sample represent 98 % of all the grants provided by the 120 largest industrial foundations for research. It is not possible to make such a precise account of the non-industrial foundations. It is, however, our belief that we have covered the most important players.

There is a caveat about our identification process relating to foundations that support innovation. We know of several foundations in our data that support innovation, not by grants or operations, but rather by ownership, i.e. foundation support startups. This is in effect support for innovation but does not count as such in our study. We also know of several other examples where an industrial foundation indirectly supports innovation via an operating company. This is also not counted as support for innovation. We elaborate on this latter example in more detail in section 5.1.

## 2.2 The survey

36 foundations received a survey invitation by e-mail. The survey was endorsed by the Danish Business Authority. 20 foundations responded to either the full questionnaire or to a short questionnaire that was

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5 Thomsen, S. (2012). What do we know (and not know) about industrial foundations? Working Paper, Centre for Corporate Governance, Copenhagen Business School.

offered later on as an attempt to boost the participation rate. 15 foundations answered the long version. Ten foundations of these are purely research-oriented and five are oriented towards both research and innovation. Five foundations answered the short version. Two of these do not fund and/or operate either research and/or innovation and have thus been left out of the sample. Of the remaining three foundations, one is purely research-oriented and two are oriented towards both research and innovation. In total, there are 18 foundations in our data set, of which seven are non-industrial and 11 are industrial foundations. There is one very important foundation, as well as a few important ones, missing from our data set. This is not because they were not invited, but because they did not answer the questionnaire. Without them the data is inconclusive, so we collected data manually on their donations from their annual reports. These foundations do not distinguish between research and innovation, but, by and large, their donations to research also include donations to innovation – if any. These data were not added to the questionnaire data directly, but managed separately. In chapter 3, we present the results for donations separately and aggregately.

## 2.3 The interviews

Looking ahead, the questionnaire data show that the foundations are grantmaking foundations for areas of research and which were founded by individuals or families and run by professional, paid staff. It is therefore from this domain that our interviewees were selected. We focussed on foundations that answered the questionnaire, i.e. for which we also have quantitative data. We interviewed five foundations and one stakeholder. Since a considerable number of the foundations in our data, and in the Danish context in general are industrial foundations, three out of the five foundations have this particular characteristic. We conducted the interviews using a semi-structured format. We prepared some country specific questions based partly on the questionnaire data, and we used a list of topics provided by the EUROFI secretariat, but the methodology allowed the interview to take unforeseen directions depending on what the interviewees said.

We report on the interviews in chapter 4, where we try to synthesise and categorise the qualitative data. This section was subsequently sent to each interviewee for their approval.

Foundation 1. Interviewee: Director of Research. Brief motivation: very active in research. This is an industrial foundation.

Foundation 2. Interviewee: Chief Financial Officer. Brief motivation: a more typical example which supports research on a smaller scale, and only applied research.

Foundation 3. Interviewee: Chief Executive Officer. Brief motivation: funds and operates both research and innovation activities on a large scale.

Foundation 4. Interviewee: Chief Executive Officer. Brief motivation: a large State-funded foundation operating independently from the State.

Foundation 5. Interviewee: Chief Executive Officer. Brief motivation: one of the largest and most professional donors to research.

Stakeholder. Interviewee: Regulator, Government official. The foundation's regulations may influence their support for research and innovation.

# 3 Results

We start this chapter with a few notes on the questionnaire data per se. We do not see any decline in the response rate as the questionnaire progresses, which is good because it means that the answers are not skewed towards the first part of the questionnaire, as it is often the case. The only significant drops we observe are around questions about the thematic fields of support, where it is unsurprising that there are many of the so-called system missing values. Second, it is important to note that the data is not balanced. Some foundations leave some questions unanswered but in no systematic way. Moreover, the foundations that answered the short version of the questionnaire only enter the data set on a few occasions. This means that answers are not directly comparable across questions. Finally, all foundations report 2012 numbers.

## 3.1 Types of foundations

The majority of the foundations in the Danish data support research and not innovation. This is the case for 11 of the 18 foundations. The remaining foundations support research and innovation. There was only one foundation that answered the question about whether the foundations support research and innovation, and thus the actual number of foundations in the rest of the questionnaire is 17. Of these, 14 are grantmaking, one is operating, and two are both. The operating foundations all support both research and innovation.

14 foundations answered the question on the year of establishment. 11 of these 14 foundations are more than 30 years old. The youngest foundation was established in the year 2000. The financial founders of these foundations are in most cases a private individual, a family or a for-profit company. This is a typical characteristic of the older foundations. The financial founders of the younger foundations are the public sector (two foundations) and the category of other non-profit organisations (one foundation).

Annual strategy is defined entirely by the governing board (the same 14 foundations as above). Eight foundations have a governing board with appointed members, and seven have a governing board with elected members (one foundation has both). A mean (median) board has eight (nine) members. All the foundations except one have professional paid staff. The foundation with no professional paid staff is in any money the smallest foundation to complete the questionnaire. The mean (median) number of staff members is 14 (nine).

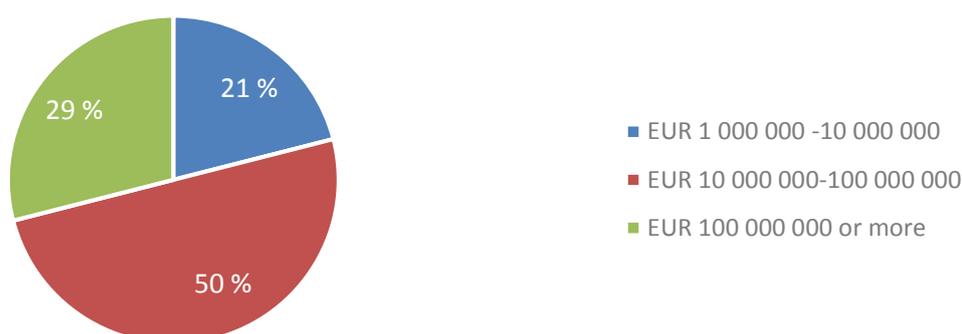
Most of the foundations supporting research also support applied research (12 foundations out of the 13 answering the question about which areas of research the foundations engage in), and many also support basic research (nine) or both (eight). The bigger foundations tend to support basic research with relatively large sums of money, whereas the smaller foundations tend to support applied research with relatively small sums of money. Only one foundation makes relatively large donations to both areas.

## 3.2 Origins of funds

14 foundations reported their total income. The mean (median) income in 2012 was EUR 556 (34) million, and the total income of these foundations was EUR 8 billion. 90 % of this came from two foundations, indicating the difference between the foundations. The foundation with the smallest income had EUR 3 million, and the foundation with the largest income had almost EUR 4 billion. Four foundations had more than EUR 100 million in terms of income and two foundations had less than EUR 10 million. The total income according to category is shown in Figure 1.

**Figure 1: Total income according to category**

As a percentage of total number of foundations (N=14)



**Table 1a: Total income according to category**

Number of foundations	14
Mean in Euros	556 317 166
Median in Euros	34 323 056
Total income in Euros	7 788 440 327

Their income primarily comes from endowments. This is the case for 15 of the 16 foundations answering the question about their sources of income. Five foundations get their income from two sources (always from endowments and then, additionally, either from the government or 'other'). One of the two very large foundations gets its income entirely from endowments, and the origin of these endowments is in the form of shareholdings from the initial founder. Looking into the background of the other very large foundation, we see that, for the purpose of fitting it into the structure of this study, it can be regarded as a foundation that receives its income from an endowment, where the origin of this endowment is also in the form of shareholdings from the initial founder.

The role of the government is different for foundations that also get their income from this source. For one of the above foundations, income from the government accounts for 1 % of its total income, whereas it accounts for 76 % for the other foundation. Both of these foundations, are the only ones having government representatives on their boards – two and one, respectively.

It is also worth mentioning that donations are never a source of income. This is not, however, the case if we look beyond our data set, although these donation-dependent entities are set up as associations and not as foundations.

**Table 1b. Total income according to category including important missing foundations**

Number of foundations	18
Mean in Euros	443 727 427
Median in Euros	31 898 123
Total income in Euros	7 987 093 678

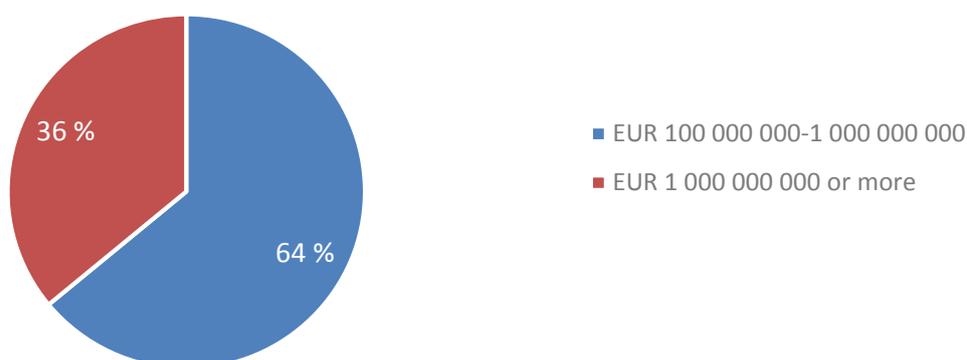
Source: EUFORI questionnaire data and raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

The origin of an endowment is typically in the form of shareholdings from the initial founder. Donations of money from the initial founder also happen. In fact, these are the only two sources together with the ‘other’ category that appear in our data. The majority of the 12 foundations specifying their source of income expect to either maintain or expand their endowments. But there is some ambiguity in the data. Some foundations answered ‘maintain’ *and* ‘either up or down.’ Four foundations expect to spend down and two foundations expect to both maintain and spend down, meaning six out of 12 foundations might spend down.

In terms of the size of the foundations, measured by their total assets, there is a positive correlation between income and assets. The largest foundation in terms of income is also the largest foundation in terms of assets. The second largest in terms of income is the third largest in terms of assets, and the third largest in terms of income is the second largest in terms of assets. Five foundations have more than EUR 1 billion EUR in assets, two have less than 100 EUR million, and seven are in between. The mean (median) value is EUR 1.4 billion (EUR 528 million), and the total assets for all 12 foundations is EUR 19 billion. Total assets according to category is shown in Figure 2.

**Figure 2: Total assets according to category**

As a percentage of total number of foundations (N=14)



**Table 2a: Total assets according to category**

Number of foundations	14
Mean in Euros	1 377 927 721
Median in Euros	527 546 917
Total assets in Euros	19 290 988 097

For the 13 foundations that reported both total income and total assets, the ratio of the mean (median) total income to the mean (median) total assets is 0.40 (0.06). Approximately 70 % of the assets are made up of long-term investments in securities. About 20 % are current assets.

**Table 2b: Total assets by categories including important missing foundations**

Number of foundations	18
Mean in Euros	1 422 209 385
Median in Euros	627 345 845
Total assets in Euros	25 599 768 929

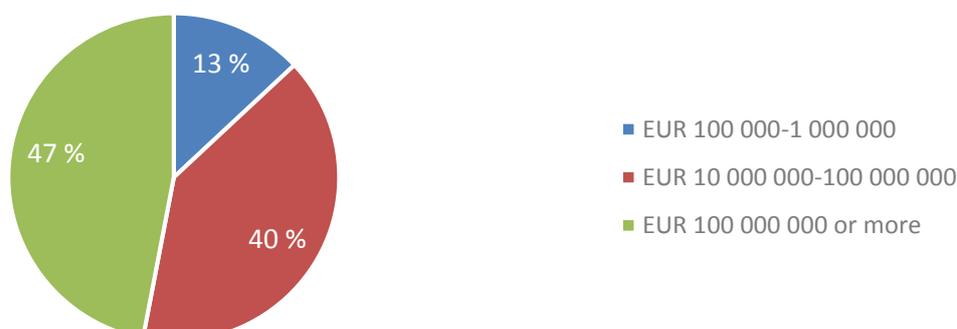
Source: EUFORI questionnaire data and raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

### 3.3 Expenditure

15 foundations reported the amount of their total expenditure. The mean (median) is EUR 40 (27) million, and the total expenditure for all 15 foundations is EUR 600 million. Two foundations have an expenditure of more than EUR 100 million – one of which is large in terms of both income and assets, but the other is small in terms of assets but relatively large in terms of income. We note that, in contrast to the monetary amounts reported in the previous sections, expenditure is less skewed towards the larger foundations. Total expenditure according to categories is shown in Figure 3.

**Figure 3: Total expenditure according to category**

As a percentage of total number of foundations (N=15)



For the 13 foundations that reported their total expenditure, total income and total assets, the ratio of mean (median) total expenditure to mean (median) total assets is 0.03 (0.05), and the ratio of expenditure to income is 0.07 (0.82). If we look at the median foundation in terms of total income, its ratio of total expenditure to total income is also exactly 0.82. One reason for the large difference between the mean and median values is that large foundations have smaller administrative expenses relative to assets or income. There may, of course, also be other potential explanations for this. For example, when asked about what is expected to happen in terms of their endowments, the largest foundation answered that they are expected to increase, which could indicate a greater retention of earnings. Another potential explanation could be a lack of relevant and appropriate projects to support.

**Table 3a: Total expenditure according to category**

Number of foundations	15
Mean in Euros	40 256 962
Median in Euros	26 631 903
Total expenditure in Euros	603 854 424

On average, research accounts for 45 % of total expenditure, and innovation accounts for 8 %. The distribution of total expenditure according to category is shown in Figure 4. The mean (median) amount given to research is EUR 19 (3) million – again a skewed distribution, and the total amount for all 12 foundations is EUR 280 million (three foundation said that they support research but did not report the amount). The corresponding numbers for innovation are EUR 2 (0) million and EUR 30 million. The biggest contribution to research (innovation) from a single foundation is EUR 80 (19) million.

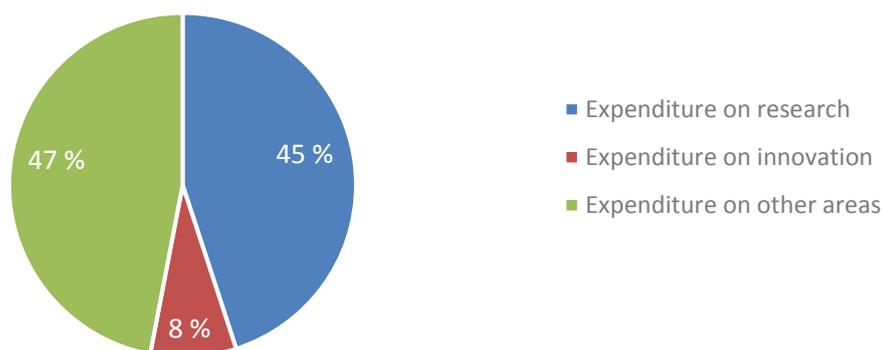
**Table 3b. Total expenditure according to category including important missing foundations**

Number of foundations	19
Mean in Euros	40 326 309
Median in Euros	25 968 901
Total expenditure in Euros	766 199 866

Source: EUFORI questionnaire data and raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

**Figure 4: Distribution of total expenditure**

As a percentage of total number of foundations (N=15)



**Table 4a: Distribution of total expenditure**

Expenditure on	Euros
Research	278 794 134
Innovation	30 142 091
Other purposes	268 286 295
Unknown	26 631 903
<b>Total expenditure</b>	<b>603 854 424</b>

However, as we have mentioned a few times already, some important donors are missing from the questionnaire data, and, for the sake of completeness on this crucial aspect of the study, we have collected data on expenditure on research for four additional foundations. These foundations would add about EUR 130 million to the total amount given to research in 2012.

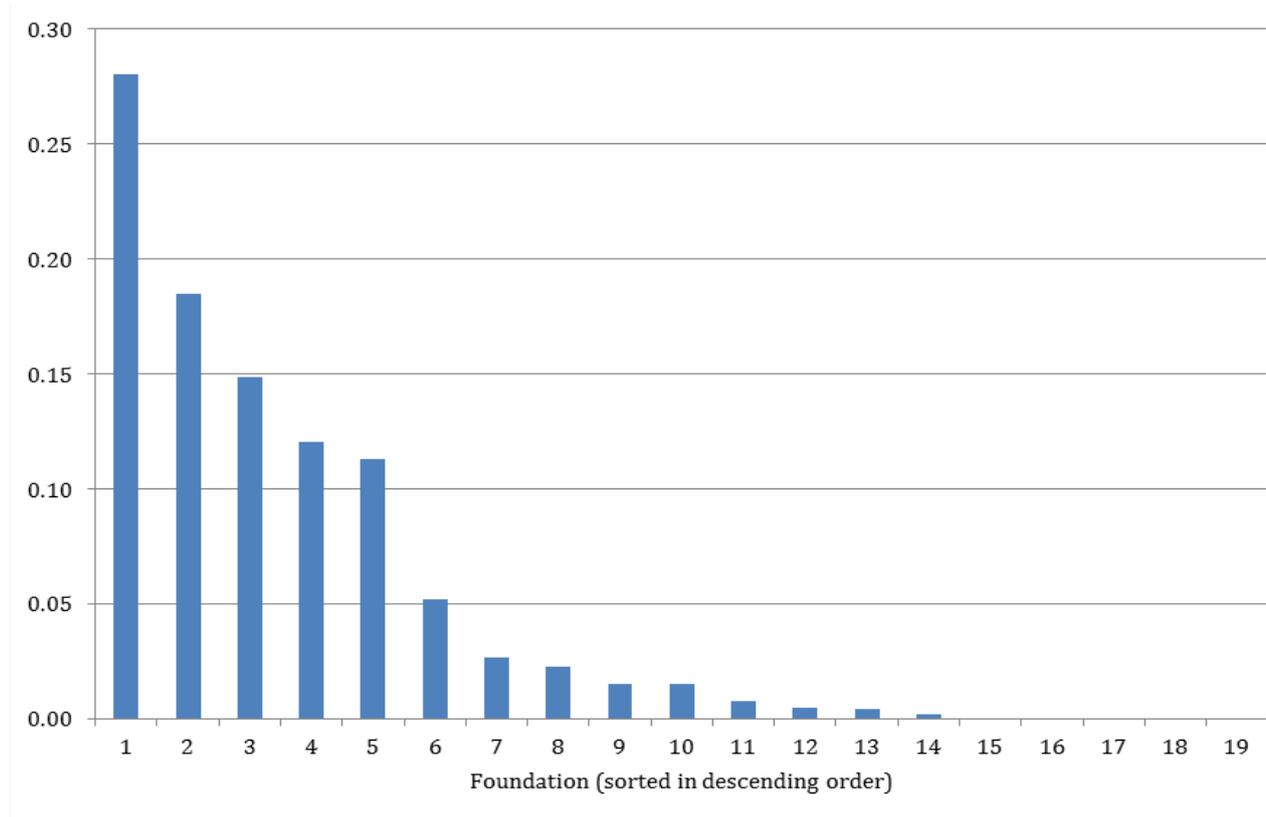
**Table 4b: Distribution of total expenditure including important missing foundations**

Expenditure on	Euros
Research	411 645 743
Innovation	30 142 091
Other purposes	297 780 129
Unknown	26 631 903
<b>Total expenditure</b>	<b>766 199 866</b>

Source: EUFORI questionnaire data and raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

About EUR 410 million in total was given to research and innovation in 2012 by Danish foundations. By comparison, public spending on research and development in the same year was EUR 2.7 billion. The share of each foundation's contribution to total research and innovation is shown in Figure 5, clearly illustrating the differences between foundations.

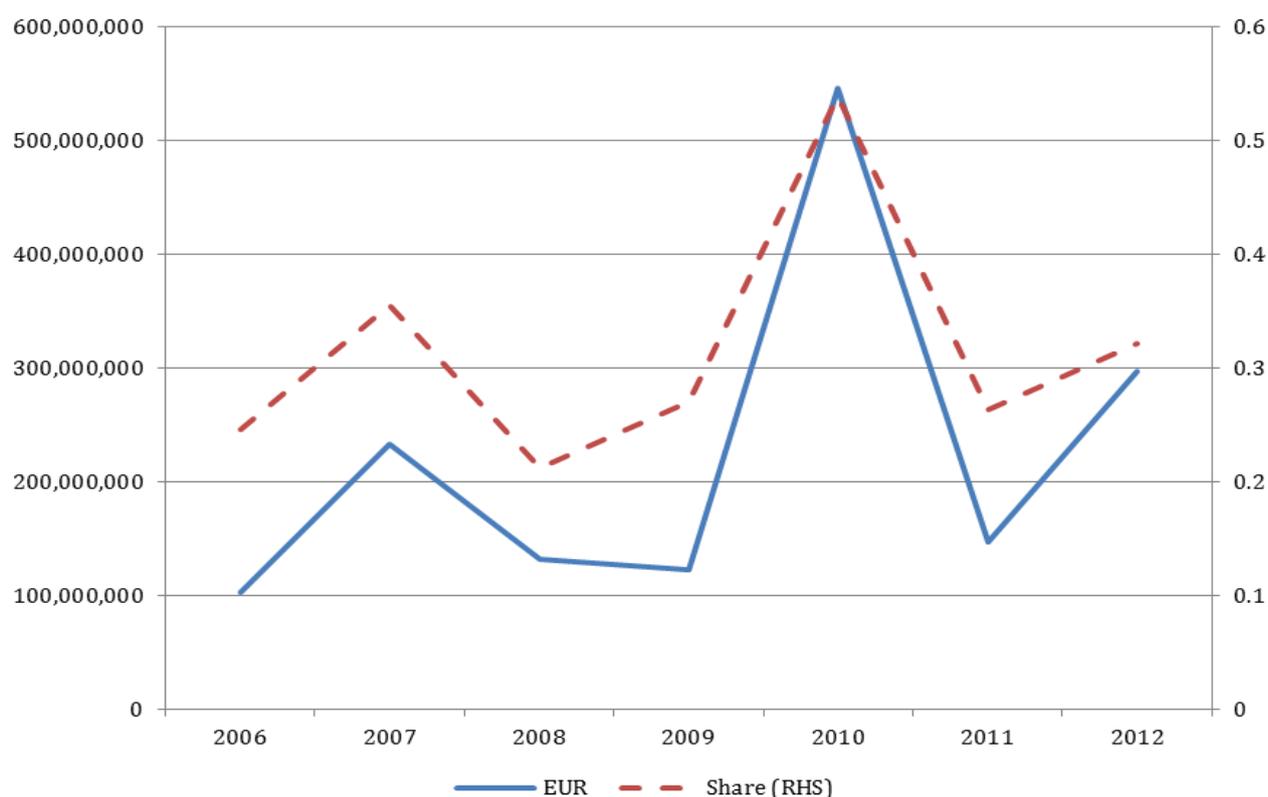
**Figure 5: Share of total research and innovation, 2012**



Source: EUFORI questionnaire data and raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

It is important to remember that this is a down stroke in one year (year 2012). To add to these data, we have thus checked the annual reports for the largest 120 industrial foundations for the time period 2006-2012 for research donations. There are some overlaps with our questionnaire data, but the two are not comparable. Having said that, there is no reason for us to expect that the year-to-year pattern is any different. Figure 6 shows the donations to research as well as their share of total donations.

**Figure 6: Industrial foundations' research donations**

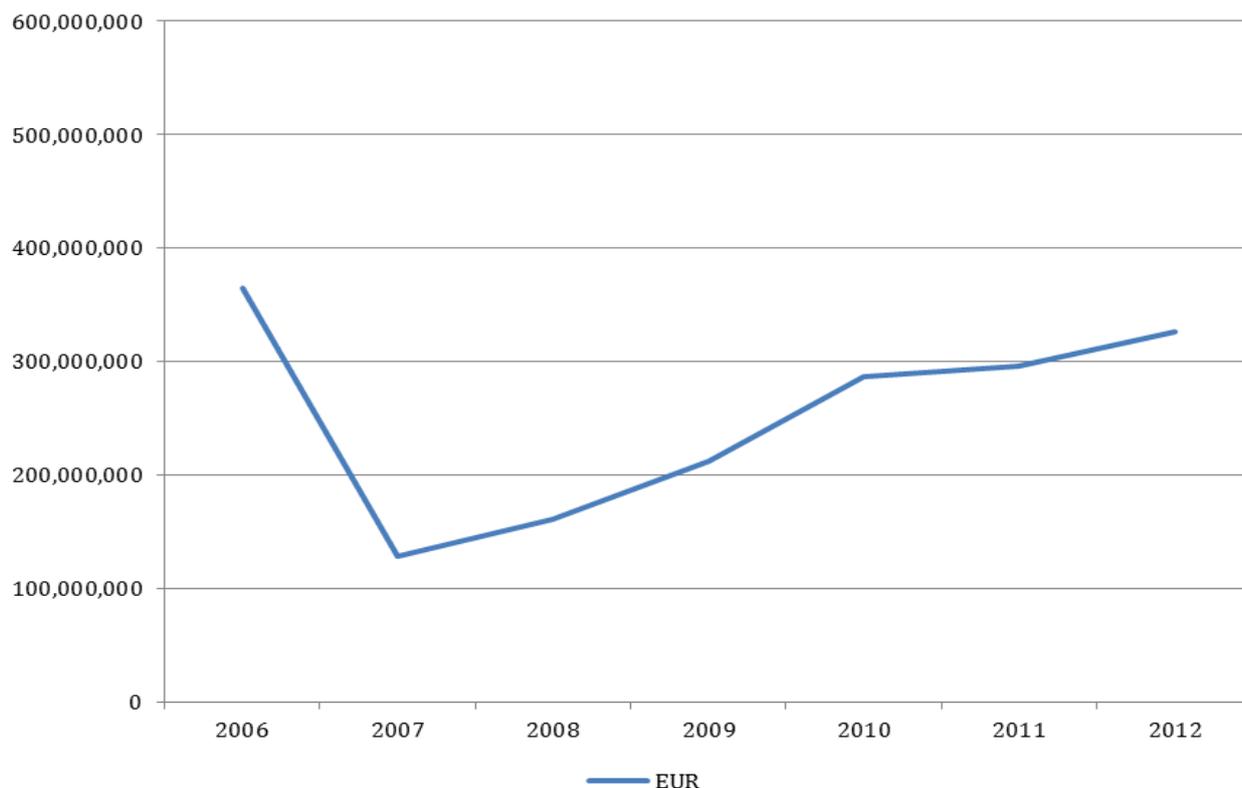


Source: Raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

The relatively large fluctuations reflect both the impact of individual foundations and the business cycle. During the financial crisis many foundations saw their income from operating companies and financial markets drop, but many have subsequently recovered. The peaks in the years 2007 and 2010 were extraordinarily large donations to infrastructure and equipment to a public university from one foundation. It is also evident from Figure 6 that research and development accounts for a relatively large share of the total donations from industrial foundations. It accounted for half of all donations in 2010 and one third in 2012.

As Figure 7 shows, there has also been an increase in donations from non-industrial foundations – the drop from 2006 to 2007 was due to an extraordinarily large donation from one foundation in 2006. The numbers are based on information from 13 of the largest non-industrial foundations. Unfortunately, we were unable to obtain more detailed data on expenditure on research and development, but we know that many of them donate considerable amounts for this purpose. For five of the non-industrial foundations in our questionnaire data, we have information about both total expenditure and expenditure on research and innovation. For these foundations, the share of donations to research and innovation to the total number of donations is almost 50 percent.

**Figure 7: Donations in total from large non-industrial foundations**



Source: Raw data from Rao, C. and S. Thomsen (2012). Uddelingen og omkostninger i danske fonde. Working paper, Centre for Corporate Governance, Copenhagen Business School.

We can see that donations from these foundations grew from EUR 130 million in 2007 to EUR 330 million in 2012.

As stated above, we estimate that about EUR 435 million in total was given to research and innovation in 2012 by Danish foundations. This corresponds to more than 15 % of the total government R&D expenditure and 5 % of the total Danish R&D. The R&D donations by the Danish foundation-owned companies are estimated to account for some EUR 3.4 billion, corresponding to roughly half of the total Danish R&D effort.

In addition, and as mentioned in section 2.1, many Danish foundations are active in innovative activities outside the formal R&D/R&I setting. A number of them engage in new ventures, sponsoring startups and providing seed capital for early-stage ideas. In some cases, these are standard commercial venture activities, but in others they are motivated by the broader social purpose of stimulating innovation and new business activity.

Coming back to the questionnaire data, six of the 13 foundations answering questions about the past and future development of R&I expenditure said that expenditure on research and innovation was about the same as the previous year, four said that it had decreased, and three said that it had increased. Looking to the following year (2013), nine of these foundations expected their expenditure on these areas to remain about the same, while four expected it to increase.

It is not the larger foundations in terms of support for research and innovation that have cut back. In this respect, the larger foundations have increased their support, but they do not expect this to carry forward. In other words, the foundations that increased their expenditure on research and innovation the previous year expected the following year's expenditures to remain about the same. The foundations that expected the following year's expenditure to increase are all foundations that either maintained or decreased their expenditure in 2012 compared to the previous year. Only one of these foundations is large in terms of support for research and innovation.

The nine foundations that answered the questions about the allocation of expenditure, allocate 55 %, on average, of their total expenditure to research, and 55 % of this is allocated to direct research. 12 foundations answered the follow-up question on the types of expenditure on research. Ten of these support research only through research grants. The remaining two foundations support research primarily through grants, but also through their own operations. One of these foundations did not, however, categorise itself as an operation foundation in question 2. Only two foundations reported the EUR amount of their support for innovation, but in both instances only grants were used.

### 3.4 Focus of support

Public universities are the main beneficiaries. Nine foundations reported the shares that the different types of beneficiaries receive, and all of them put public universities as one of their beneficiaries. This particular group receives 75 %, on average, of these nine foundations' expenditure on research and innovation. The business sector and research institutes are the second and third largest groups, with 11 and nine %, respectively.

Given the support for public universities, and considering the spectrum of research conducted at these universities, it is not surprising that, between the nine foundations, all the research fields are supported. 14 foundations answered the question on the thematic research fields supported. All the foundations support more than one field – four fields on average. Natural science, engineering and technology, medical science, social and behavioural science, and the humanities are the most frequently supported fields. Agricultural science receives comparably little attention (from five of the 14 foundations).

Research mobility and career development, infrastructure and equipment, the dissemination of research, and science communication and education are the major research-related activities. All the foundations support more than one field – again four fields on average. There is no size-related pattern in the support for research-related activities. To attract top international scholars, several foundations support new professorships, often in combination with a bigger and more strategic focus on a specific field. The peaks in the years 2007 and 2010 in Figure 2 are examples of large donations to infrastructure and equipment to a public university. Generally, there is a high positive correlation between support in past years and support in the year in question (2012).

Most foundations see their role as either initiating or complementing their research and innovation processes. This result seems to emphasise that foundations try to some extent to improve their insight into

any societal challenges within their areas of expertise. There is also no size-related pattern in the answers to the question about the role of foundations in the domain of research and innovation, i.e. a foundation's perception of its own role is independent of the size of its income, assets and expenditure.

### **3.5 Geographical dimensions of activities**

Danish foundations are oriented towards the national level. Not all foundations reporting their expenditure on research and innovation also reported their geographic distribution, but for the 11 foundations that did, 94 of every EUR 100 goes to the national level. This is largely due to the fact that public universities are the main beneficiaries. Of the remaining EUR 6, the EU level receives EUR 2, the local or regional level EUR 3, and the international level EUR 1. One of the foundations supporting the local level has a very influential role in the continuous development of the public university in this region of the country.

Only three foundations answered the question about difficulties with funding or operating in other EU countries. None of these have encountered any problems. 13 foundations answered the next question about the role of the EU. Six foundations see the EU as having multiple roles, but collaboration is always one them. Five of the remaining foundations have no opinion on the role of the EU. The last two foundations see the role as either providing a legal framework or fiscal facilities.

12 of these 13 foundations said that they contribute to European integration through education or research activities. 6 contribute through more than one activity.

### **3.6 Foundations' operations and practices**

The participating foundations are more pro-active than reactive about calls for proposals, and they tend to not prefer small grants to multiple organisations. A number of the foundations in our questionnaire data have supported very large initiatives, which is also a trend in public research councils. One foundation was very clear about their support for both large and long-term, and small and short-term projects, but support is typically large and long-lasting. Evaluations are always or often conducted. There is a high number of partnerships with others, and this is always the case for the largest foundations. These partnerships are primarily formed with other foundations and/or universities. Seven foundations reported on their partners, and in all cases they have multiple partners. The main reasons for these partnerships are pooling expertise/sharing information and increasing their impact.

# 4 Interview evidence: policy and strategy issues

The questionnaire data raised a number of interesting points to take to the in-depth interviews. While each interview had its own agenda, the semi-structured approach allowed for deviations. For this reason, the qualitative data are not directly comparable for all the interviewees. In this chapter, we seek to synthesise and group the data into some central dimension or themes. This is based on formal in-depth interviews, but also on informal discussions with foundation board members (outside the group of foundations that participated in the questionnaire) and policy makers. Generally, foundations and policy makers have a positive attitude towards foundations' support for research and innovation. Both are aware of the social value of foundations providing financial resources and strategic direction to the overall research and innovation effort. Both emphasise the huge potential in enhancing this effort, but both also stress the importance of more dialogue and a change in culture so that foundations and their beneficiaries will become better at working together and understand each other's objectives and modes of operation. On the policy side, there is strong support for public-private partnerships, of which research and innovation is one example.

Some of the identified obstacles are: i) a latent scepticism in the university system towards private sector interference in public research, which should not be biased by special interests, and, following on from this, possible conflict between private and public objectives when deciding national research strategy; ii) university bureaucracy and outdated barriers between scientific disciplines; iii) some remaining ignorance among foundation directors concerning the nature and limitations of the research environment at modern universities; and iv) limitations in existing knowledge on the effects of various support activities.

One overriding issue is the coordination of private and public initiatives. Uncoordinated financing may lead to imbalance. Some research areas may become favoured by both parties while others are entirely neglected. This calls for dialogue between foundation representatives and government officials. Obviously, this dialogue should in no way intend to provide government direction for the research support provided by private foundations, but both sides may benefit from knowing the other's plans which they make on their own.

In this regard, one critical issue is that both the government and foundations increasingly aim their support at large elite projects. Over the past few decades, the Danish government has allocated an increasing share of its resources to the discretionary control of research councils and other grantmaking bodies that are specifically intended to sponsor elite projects. Most of the large foundations support the same objectives. This makes for an increasing split in the opportunities for different research areas and research departments, since excellence is documented by past research performance. On the other hand, it is understood that universities have a general function of providing research and research-based education in

a number of areas of general social interest and significance. It may become increasingly difficult for the underprivileged research areas to fulfill and develop their functions if they are starved of funds. Adding to this problem is the knowledge that a lot of groundbreaking research is not based on track record but comes about more randomly. Many foundations and business leaders emphasise the importance of a good level of basic research funding and argue against detailed research planning.

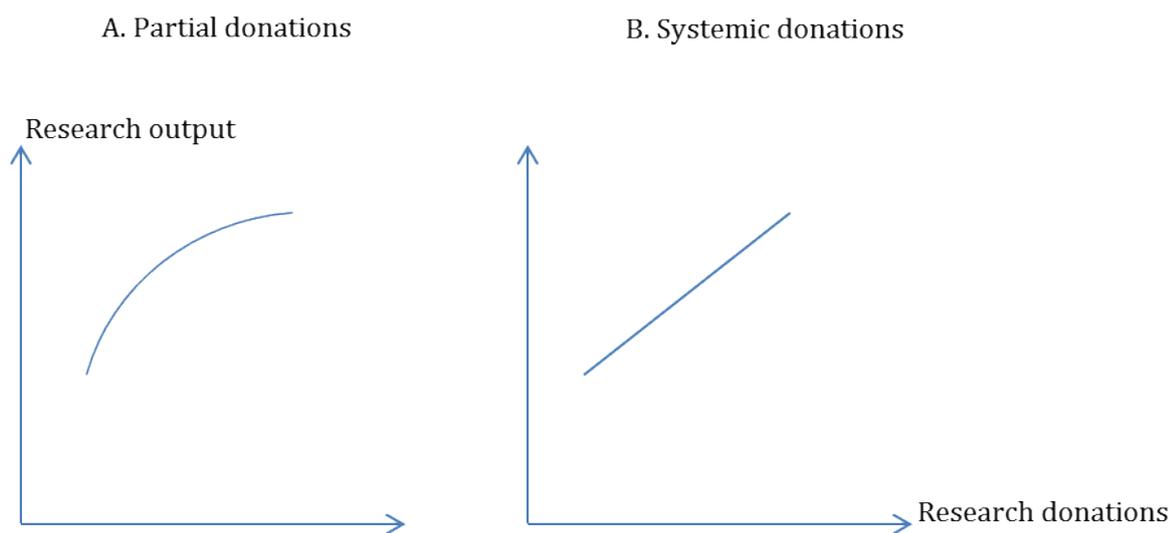
Another issue is the level of funding forthcoming from foundations. As mentioned previously, most of the large Danish foundations are industrial foundations with a dual purpose of 1) ownership and governance of a company in that company's best interest, and 2) donating to research and other charitable causes with any dividends received. This dual purpose means that industrial foundations donate a smaller percentage of their assets than non-industrial foundations, since they tend to reinvest more in their subsidiary companies. However, as Chapter 3 shows, there is little doubt that industrial foundations increase Danish research funding as a whole. One explanation is that the subsidiary companies have been quite successful and grown in size, which more than compensates for their higher reinvestment ratios. Reinvestment tends to increase the asset base and may lower donation ratios in the short run, but in the long run this will lead to more rather than less funding, if the funds are reinvested wisely.

A third issue is the absorptive capacity of the beneficiaries of private R&D donations. It may be argued that a given research institution, for example a research department or a university, has limited absorptive capacity in terms of talented researchers, research facilities etc. and that increasing donations, therefore, will be characterised by declining marginal productivity. This is illustrated in Figure 8.A. The concern here is that increased R&D donations may (at least in the short run) have a declining marginal effect. Thus, increasing donations from the present level may not lead to proportional increases in research output. Moreover, in this case, relatively small donations dispersed over a number of areas will have a stronger overall effect than concentrating them on a relatively small number of elite research groups.

Decreasing marginal productivity may be a realistic assessment of the short-term impact of partial research donations, other things being equal (i.e. for a given initial supply of researchers, university facilities etc). However, it is not clear that the same logic applies to systemic donations, where all research input is scaled up proportionally. For example, universities may source talented researchers from around the world, or they may build new research facilities etc. Under these circumstances it seems more realistic to assume constant or perhaps even increasing returns to scale, i.e. that research output increases proportionally or more than proportionally with the size of donations. This is illustrated in Figure 8.B.

However, to reap the benefits of systemic donations, it is necessary that foundations think big and scale up all their research input at the same time so that they avoid bottleneck problems and decreasing marginal productivity. These donations can take the form of new research centres with plans for new research facilities, externally recruited, predominantly international staff, new organisations etc. It is notable that systemic donations are likely to require substantial international involvement in order to escape national resource constraints, particularly in a small country like Denmark. The many unknowns in systemic donations will no doubt add to the risks already inherent in any research activity. However, it is not uncommon for risk and return to go hand in hand.

**Figure 8: The marginal effects of donations**



*Source: Own creation.*

For large donations such as donations to research centres, both foundations and universities need to plan better for their exit when external funding ceases. It is important to take steps to integrate centres of excellence (as an example) with their long-term teaching and research activities. In contrast, this is less of a problem for smaller donations, which are more easily integrated, and for which it is easier to find additional funding if necessary.

Increased internationalisation to overcome domestic resource constraints may be necessary if foundations' support is to increase, while at the same time retaining or enhancing its impact on research productivity. Historically, Danish foundations have mainly sought to enhance domestic research, but have always maintained a broad interpretation of what this might mean. In recent years, the larger foundations have emphasised the importance of internationalisation, albeit usually with a Danish partner institution.

To some extent, this domestic orientation is attributable to foundation charters, which in some cases oblige the foundations to support Danish research. However, these foundation charters may be changed, if it can be persuasively argued that external donations have changed in a way which makes it necessary to reinterpret the will of the founder, and particularly if national constraints impose artificial limits on the fulfillment of a foundation's purpose. However, in most cases a foundation's purpose is sufficiently broad to allow foundations to fund most international research activities, as long as it can be argued that it is somehow in the national interest.

Another barrier to internationalisation may be the mindset of foundation board members, 99 % of whom are Danes. However, as mentioned previously, this has not prevented them from wholeheartedly supporting the internationalisation of Danish universities.

# 5 Innovative Examples

In this chapter, we describe three innovative examples in greater detail. These three examples have been identified from 1) the questionnaire data, where foundations were asked to provide examples – two out of seven foundations that support both research and innovation did just that, and 2) one of the interviews described in Chapter 2. We focus on successful projects, i.e. projects that are broadly considered to be successful, and the processes, procedures and tools used to achieve this.

## 5.1 Example 1

The first example comes from the Novo Nordisk Foundation. The Novo Nordisk Foundation is an industrial foundation. The objective of this foundation is to provide a stable basis for the commercial and research activities conducted by the companies within the Novo Group (Novo A/S is the holding company for the companies in the Novo Group) and to support scientific and humanitarian purposes.

Among other things, the Novo Nordisk Foundation aims at bridging scientific discoveries and commercial applications, and it has made a so-called innovation value chain with five stages. The different stages of the value chain require different types of support, and the foundation covers the entire innovation value chain, directly or through its companies.

The 5 stages are:

1. During the research stage, the foundation supports research. The foundation facilitates the creation of research environments that focus on creativity, which is intended to create favourable conditions for making application-oriented discoveries with commercial potential.
2. The explorative pre-seed stage supports tests of whether the first-stage research works in practice. A pre-seed grant to test and further develop research ideas can be applied for by researchers.
3. The pre-seed stage supports researchers that have largely finished testing the scientific and commercial potential of their research. In both pre-seed programs, in addition to any grants, the foundation supports the process of maturing ideas. This may be done in cooperation with Novo A/S.
4. During the seed stage, Novo A/S invests in a company and starts exercising more direct influence by, for example, appointing board members.
5. During the venture stage, if the seed stage company continues to show promising commercial potential, Novo A/S may make an additional and substantial venture capital investment to further develop the concept and the company.

Galecto Biotech is one example of an innovative outcome of this approach. Galectins (galactoside-binding lectins) are a group of proteins that are involved in many disease processes such as fibrosis, cancer and inflammation. Based on extensive research in this field, Galecto Biotech has developed a series of galectin

modulators that have shown promising effects in several disease models. The company's main project focuses on an inhibitor of galectin-3 being developed for treating fibrosis, with idiopathic lung fibrosis as the primary indication. The Novo Nordisk Foundation awarded Galecto a pre-seed grant of DKK 625,000 (€83,775) in 2010, and the company subsequently received a seed investment from Novo Seeds as its first investor, which enabled Galecto Biotech AB to be established in 2011. The founder group comprises leading researchers and biotech entrepreneurs from Sweden, the United Kingdom and Denmark. The investor base has since expanded to include three venture capital funds: Merck Serono Ventures, Seed Capital and Sunstone Capital. The company builds on more than 10 years of research into galectins and galectin modulators, which combined with a strong patent estate, gives Galecto Biotech a unique platform. Novo Seeds has invested DKK 12.4 million (€1.7 million) in Galecto Biotech. <sup>[6]</sup>

## 5.2 Example 2

The second example comes from a non-industrial foundation. Realdania is actively involved in most of the projects that it supports; it wants promote its own strategic approach, where agenda-setting initiatives and the dissemination of knowledge is considered as important as individual physical projects, and thus carefully selects which projects to support. These projects are often innovation projects. Realdania emphasises that change requires a collective impact, and thus encourages multidisciplinary coordination and collaboration. Since the year 2000, it has funded or co-funded more than 2,000 projects, of which 700 are currently active.

The toolbox consists of:

1. Evaluation and learning. Realdania sees itself as a learning organisation that relies on systematic evaluation to monitor the outcomes of our grants and activities. It focuses its efforts on establishing systems that facilitate learning and sharing knowledge about what works and what could be improved.
2. Partnerships and collective impacts. Through cross-sector partnerships, Realdania seeks to secure that the knowledge acquired from projects is widely disseminated, and to engage in partnerships that create a sense of ownership, thus helping to ensure a community-wide impact.
3. Campaigns and calls for projects. Realdania, in its own words, 'initiates campaigns and calls for projects to highlight specific challenges in society and create impact beyond that of a single project.' One example is the campaign called 'Future Suburbs,' which has generated concepts for sustainable suburbs capable of adapting to climate change, increasing traffic and an ageing population, and which now serves as inspiration for the transformation of the Danish suburbs.
4. Exemplary values. Realdania wants all its projects to have exemplary value, and it seeks projects that break new ground and generate innovation. By engaging in projects that are inspiring and scalable, it aims to expand good solutions for a greater effect.

Another innovative example is climate change adaption and urban space development in the centre of Copenhagen. Realdania has launched the innovation project Klimaspring (Climate Leap), which focuses on collecting rainwater in dense urban areas. The point of this project is to promote good ideas and solutions for climate change adaptation and to help the best ideas develop into viable business ideas. In extreme

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6 For more, see the publication "Why and how?" from the Novo Nordisk Foundation.

downpours, it is important to prevent the water from ending up in the city's basements. A new combined climate change adaption facility and urban space in Sankt Annæ Plads, Copenhagen, serves the important purpose of draining rainwater into the harbour. A kind of riverbed between the trees which was designed as a depression in the terrain and lined with two rows of granite steps can hold large amounts of rainwater when the sewers fill to capacity. Under more normal weather conditions the area forms a new green urban space.

### 5.3 Example 3

Our final example is a special construct in this respect. The Danish National Research Foundation is an independent organisation established by the Danish Parliament in 1991 with the objective of promoting and stimulating basic research at the highest international level at the frontiers of all scientific fields. The Centre of Excellence Program is the main funding mechanism, but a number of other programs and initiatives have also been launched specifically targeted at increasing the level of internationalisation of Danish research communities. Since its establishment, the foundation has committed itself to supporting Danish research with more than DKK 6 billion DKK (EUR 800 million).

The Centres of Excellence consist of units based in research institutions (the vast majority in universities) sharing a common idea or vision and an overall and clearly defined set of research objectives. There is no fixed formula for creating a Centre of Excellence. The centres may differ in size and mode of organisation, depending on their subject and scope, although they must have a well-defined framework for cooperation.

The application process consists of two stages. During the first stage, prospective centre leaders are invited to submit letters of interest with short outline proposals. These proposals are then processed by the board acting alone. During the second stage, applicants submit full applications that are thoroughly scrutinised by a set of international experts in the field. Prior to final selection, the board meets each applicant.

The foundation emphasises the following aspects:

- The research idea is ambitious and original and has the potential for real scientific breakthrough in the relevant scientific field(s).
- The proposed centre leader has a high standing in the international scientific community as well as managerial skills.
- The centre includes high-quality personnel in order to establish a creative and dynamic international research environment that will provide an inspirational training ground for young scientists.
- The focus, structure and size of the proposed centre is such that it sets the stage for scientific ventures that are not feasible with conventional funding from other sources.

A centre grant constitutes two periods of six and four years, respectively. A mid-term evaluation is conducted after five years and a final evaluation is made after nine years. Follow-up meetings are held annually with each centre and the centres are asked to submit annual reports.

In December 2013, an international panel evaluated the Danish National Research Foundation again. The panel concluded that the Foundation and the Centre of Excellence initiative have had a very positive impact on the quality of research in Denmark and recommended that the Foundation be refunded. The key topics addressed in the evaluation were the role of the Foundation in the Danish research funding system, research quality, research training and recruitment, internationalisation, interaction with host institutions, and the governance and management of the DNRF. This evaluation was based on a bibliometric study, a self-assessment report by DNRF, and numerous interviews and desk studies.

The Centre for GeoGenetics is one good example. This centre is financed by a five-year grant from the Danish National Research Foundation. Ancient DNA research has progressed from the retrieval of short fragments of DNA from bones to large-scale studies of ancient populations, past ecosystems and even whole nuclear genomic sequences. The Centre for Geogenetics has positioned itself in the technological forefront of all this. With the use of a multidisciplinary team, new methodologies and access to highly unique specimens and sampling sites, the centre intends to readdress some of the most debated scientific topics in the past few decades – carefully chosen with a strong belief that ancient DNA research can provide fundamentally new insights, or even shift current paradigms. Geogenetic research can have a direct and positive impact on society, because the technique for finding faint DNA traces also opens up brand new vistas in medicine. Geogenetic methods are, for example, used in the Pathogon project, which seeks to break new ground in cancer research.

# 6 Conclusions

Foundations play a crucial role in the support of Danish research and innovation. Donations have been increasing and are set to continue to increase in the years to come. One special characteristic of Denmark is the predominance of industrial foundations, i.e. foundations that own companies, which account for the bulk of total assets, as well as research and innovation funding. However, only a few large industrial foundations have been established during the past 20-30 years, which makes it necessary to inquire whether changes in regulation are necessary to secure future sources of funding.

The increasing importance of foundations in funding research in universities and other government institutions raises the issue of how these donations are accounted for and how it affects the government's commitment to the Barcelona goal of spending 1 % of the GDP on research. If this goal is maintained, one unintended consequence could be that increased private funding ends up crowding out government funding, so that total research funding is unchanged despite every intention to increase research investment. We need greater transparency in government to account for research investment.

The continued growth in foundation funding also calls for new ways of interaction with universities and other research institutions, including coordination with public policy makers, overcoming cultural barriers, and eliminating artificial institutional barriers within the university system. A cultural change is necessary both in foundations and their recipient organisations. Universities need to become more flexible and less bureaucratic in accommodating legitimate donor wishes and in making efficient use of resources, and, at this point in time, universities also need to become better at saying 'no' if they do not have the administrative or scientific competencies to handle a large project. The foundations themselves need a better understanding of the research processes in state-owned universities and the inherent constraints.

Funding by private foundations rests on a delicate balance between trust and control. Monitoring by steering groups and milestones may enhance efficiency, but overly zealous control mechanisms risk jeopardising the trust and gratitude generated by donor relationships. Many foundations care deeply about social outcomes, and research is a means to reach these outcomes as well as being a goal in itself. To meet such challenges, universities need to lower institutional barriers between scientific disciplines, as well as between research and commercial or practical applications.

Professionalism should increase with donations. This includes more systematic grantmaking and better follow-up and impact assessments. While elaborate mechanisms may not be necessary or worthwhile for smaller foundations that spend limited amounts on research and innovation, it seems natural to adopt a more systematic approach for larger budgets and donations. The general understanding is that the largest Danish foundations have already become more professional in this respect, but that there is still some way

to go, particularly since professional best practice standards are continuously evolving. There may also be some catching up to do for the mid-size foundations.

Finally, foundations' support of R&D will only be effective if there is funding from the government. Universities need to secure a basic level of research funding in order to maintain research-based teaching and fungible research environments, even in areas which are not currently deemed to be fashionable or 'world class.'





Estonia Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Ülle Lepp

Research and  
innovation



# **Estonia Country Report**

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**Ülle Lepp**

Independent researcher



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# 1 Contextual Background

## 1.1 Historical background

Despite Estonia's short existence as an independent state (1918-1940 and regaining independence in 1991), associational life and the co-operative movement have a long history in the country.

Jansen (2007) wrote that the first seeds of civil society were sown during the 1750s and 1760s, which saw the start of reading societies and clubs fostering social communication and self-education in the Baltic countries. To some extent, the establishment of societies in the Baltic provinces was governed by the Police Law issued by Catherine II in 1782. Based on this law the Baltic provinces aimed for societies to act legally and to approve articles of association. Lagerspetz and Rikmann (2007) mention that the first associations of a voluntary, modern type were created by the German-speaking middle strata (such as the Freemasons) and the land-owning nobility (such as Economic Societies) during the late 18th century.

The societal movement gathered momentum in the 19th century. We may assume that by the 1820s the first musical societies had already been founded. 1843 saw the establishment of the song and play society 'Liedertafel,' which drew on the German examples (Jansen, 2007: 102). One characteristic feature of Baltic society during the first half of the 19th century was the development of cultural circles based on the German pattern. Scientific circles formed a part of these cultural circles. A literary and art society in Courland was the first successful learned society in the Baltics, which developed into the Learned Estonian Society (Ehstnische Litterärische Gessellschaft) (Jansen, 2007: 104).

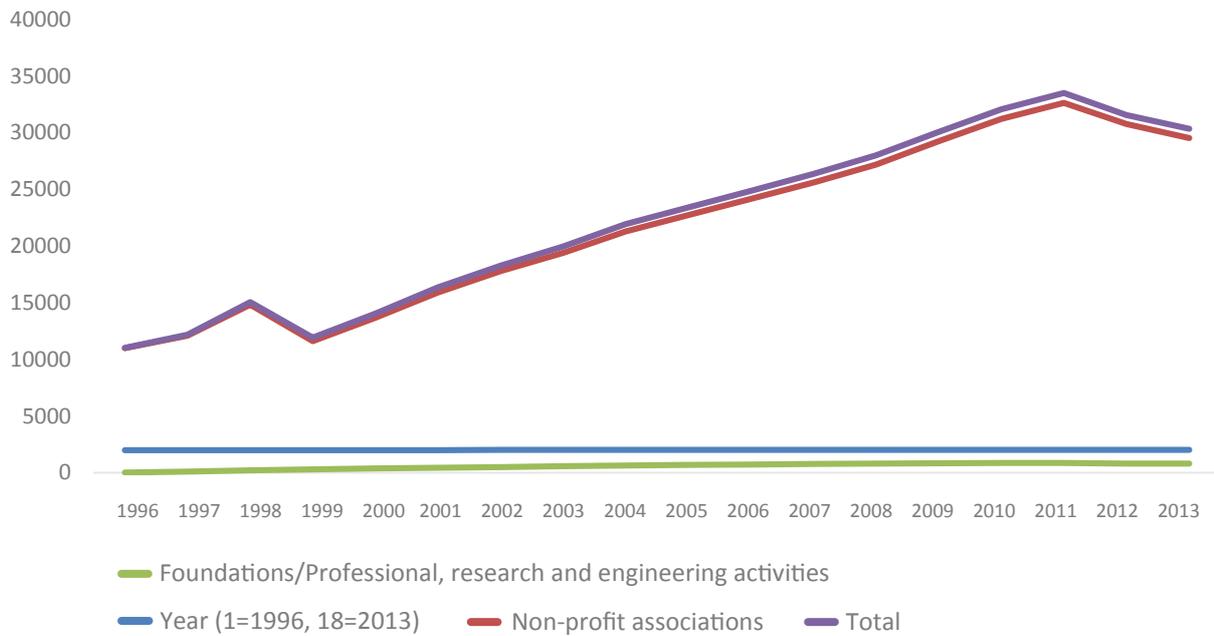
During the 1860s the predecessors to modern nonprofit organisations sprang up at the dawn of the era of national awakening. The establishment of an independent Estonian Republic in 1918 was an important catalyst for the growth of the third sector. During the 1920s and 1930s, much of associational life was closely connected to the nation-building process. The newly independent country was successful in mobilising its citizenry for voluntary work in libraries, schools, cultural community centres, folk high schools, youth and women's organisations, temperance societies and defence organisations. The Estonian Cultural Endowment, established in 1925, and the German and Jewish Cultural Boards, established after 1925, were examples of how the State delegated administrative functions to independent legal bodies (Lagerspetz, 2007; Reiman, 1933). As of 1 January 1931 a total of 10 987 associations (6 330 societies and 4 657 cooperatives) were officially registered in Estonia. Among the registered associations there were 1 710 societies active in cultural and educational life including 60 science societies. These societies were very diverse – from hobby and academic research societies to societies facilitating science such as museums. The first science societies had already been founded by 1899 (Reiman, 1933: 189-190).

The Soviet occupation of 1940 dissolved all associations based on civic initiatives, their leaders were arrested and their property confiscated. Civil society as an institution was almost destroyed by the Sovi-

ets during the first years of occupation. Forced collectivisation, which started in 1949, destroyed family farming and the last elements of traditional cultural networks (Ruutsoo, 2002: 97-104). However, several authors (Lauristin and Vihalemm 1997; Götz and Hackmann 2003) have pointed out that the tradition of voluntary activity in Estonia survived even after five decades of Soviet occupation. After the most sombre period of Stalinism in the Soviet Union, several cultural, sports and healthcare organisations were brought back to life. During most of the Soviet period, the nearest equivalents to NGOs were cultural and hobby organisations. Even though closely surveilled by the authorities, these associations offered the possibility of the cultivation of national traditions, otherwise neglected or manipulated by the State-controlled public life (Lagerspetz and Rikmann 2007: 145). Ruutsoo (2002: 181) refers to 1986-1987 as 'the mobilisation of civil courage,' and to 1988-1990 as the 'movement society' years, which were followed by the gradual institutionalisation of civic initiatives after Estonia declared independence from the Soviet Union in August 1991. There were, however, no private foundations among the associations that functioned in Estonia during Soviet rule: along with private companies, the Communist authorities had disbanded foundations, and their assets were nationalised. Accordingly, there were neither functioning foundations, nor the appropriate legislation to establish them. The first efforts to create a legal environment which would support civil society were made in 1989 when the Law on the Freedom of Association was enacted. It formed the legal basis for the establishment of political parties and different types of non-governmental organisations. Among the few foundations established in 1990 were the Estonian Science Foundation and the Open Estonia Foundation. These foundations were the first ones to support science and civil society research. In 1994, the Act on Non-profit Organisations and their Unions, and the Cultural Endowment of Estonia Act were implemented. The latter made it possible to re-establish the Cultural Endowment of Estonia in 1994. A year later, in 1995, the Estonian Parliament (Riigikogu) passed the Foundations Act, and in 1996 the Non-Profit Associations Act. Both laws came into force on 1 October 1996. These laws created a firm, stable and modern legal environment for the establishment and functioning of NGOs, and brought forth a large variety of nonprofit associations and foundations (see Figure 1). The first eight foundations were registered in 1996. In 1997, the Archimedes Foundation was established by the Estonian government and registered. The aim of this foundation is to coordinate and implement different international and national programs and projects in the fields of training, education and research.

As of 1 January 2014 there were already 29 530 associations and 801 foundations, including 562 associations and 46 foundations, which had defined their field of activity as professional, research and engineering activities in the Registry of Non-Profit Organisations and Foundations.

**Figure 1: Registered non - profit associations and foundations 1996 - 2013**



Source: Randma-Liiv, T., Liiv, D. and Lepp, Ü. (2008) 'Institutionalizing Relationships between Government and the Third Sector', p. 258.

[1]

## 1.2 The legal and fiscal framework

### Definition of a foundation

The definition of a foundation is given in The Foundations Act, which came into force on 1 October 1996. A foundation is a legal person in private law which has no members and which is established to administer and use assets to achieve the objectives specified in its articles of association (Foundations Act 1996).

A foundation may use its income only to achieve the objectives specified in its articles of association. Some restrictions to the activities of foundations may be provided by law. For example, a foundation should not grant loans to or secure the loans of founders or members of the management board or supervisory board of the foundation, or of persons with an equivalent economic interest, unless otherwise provided by law. Also, a foundation should not be a partner of a general partnership or a general partner of a limited partnership or manage a general partnership or limited partnership.

### Setting up of a foundation

The Foundations Act (1996) states that:

'(1) A foundation is founded by one or several founders for an unspecified term, until stated objectives are achieved, or for a specified term; (2) the founders of a foundation may be natural persons or legal persons; (3) a foundation may be founded on the basis of a will.

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1 From Randma-Liiv, T., Liiv, D. and Lepp, Ü. (2008) 'Institutionalizing Relationships between Government and the Third Sector', p. 258.

A foundation shall be founded by a foundation resolution. The founders shall also approve the articles of association of the foundation as an annex to the foundation resolution.'

### **Management of a foundation**

The bodies of a foundation are the management board and the supervisory board. A foundation should have a management board which manages and represents the foundation. The management board may consist of one or several members. A member of the supervisory board should not be a member of the management board. The members of the management board should be appointed by the foundation resolution. Changes to the membership of the management board and removal of members of the management board should be decided by the supervisory board.

The supervisory board should have three members unless the articles of association prescribe a greater number of members. The supervisory board should plan the activities of the foundation, organise the management of the foundation and supervise the activities of the foundation.

### **Accounting and supervision**

The management board should organise the accounting of the foundation. At the end of a financial year, the management board should prepare the annual report and submit the report for approval to the supervisory board within four months after the end of the financial year. Before submission of the report for approval to the supervisory board, the management board should forward the report to the auditor for audit. An audited annual report including details of finances and activities must be submitted to the Registry of Non-Profit Organisations and Foundations within six months after the end of a financial year.

### **The rights of founders**

The founders can amend the articles of association of the foundation. If a foundation has several founders, they can all amend the articles of association, but this must be done jointly (Foundations Act 1996).

### **The rights of beneficiaries and access to information on the activities of a foundation**

Anyone stated by the statutes to be a beneficiary or with any other legitimate interest may demand information from a foundation concerning the fulfilment of the objectives of the foundation. They may examine the annual report of the foundation, the auditor's report, the accounting documents and the foundation resolution. General information, general and personnel data, the annual report and the articles of association are publicly available on the e-Business Register website (for fee). The data from the valid registry card of a foundation are available for free.

### **Requirements to receive tax exemptions**

In general, foundations are treated in a manner similar to business organisations. Estonian law does not recognise the definitions of 'public benefit' or 'tax-exempt' foundations. Instead, there is a legal status for nonprofit associations and foundations benefiting from income tax incentives. The organisations belong-

ing to the list of nonprofit associations, foundations and religious associations benefiting from income tax incentives are commonly called public benefit organisations enjoying tax benefits.

According to the Income Tax Act the government may grant tax-exempt status to foundations and nonprofit associations. The redaction of § 11, which was amended on 18 November 2010 and came into force on 1 January 2011 states:

‘A nonprofit association, foundation or religious association which meets the following requirements shall be entered in the list: (1) that operates in the public interest; is a charitable association, that is, an association offering goods or services primarily free of charge or in another non-profit seeking manner to a target group which, arising from its articles of association, the association supports, or makes support payments to the persons belonging in the target group; (2) that does not distribute its assets or income, grant material assistance or monetarily appraisable benefits to its founders, members, members of the management or controlling body, persons who have made a donation to it or to the members of the management or controlling body of such person; (3) whose administrative expenses of the association correspond to the character of its activity and the objectives set out in its articles of association; (4) the remuneration paid to the employees and members of the management or control body of the association does not exceed the amount of remuneration normally paid for similar work in the business sector’ (Income Tax Act 1999, amendment 18 November 2010).

In order to be included on the list of nonprofit associations, foundations and religious associations benefiting from income tax incentives, a foundation must fill an application and give information about its statutes and activities. Tax-exempt status is not available for professional organisations, organisations for business support, trade unions or political associations.

As from 1 July 2014 there were roughly 2100 nonprofit associations, foundations and religious associations on this list (Estonian Tax and Customs Board 2014).

### **Tax treatment of donors**

Donations given to a foundation that has been granted tax-exempt status may, up to a certain extent, be deducted from the income of the donor. The basis for the tax relief is the inclusion of the foundation on the government's list of nonprofit associations, foundations and religious associations benefiting from income tax incentives. The list includes only organisations registered in Estonia.

For individual donors, the total of donations deducted from the taxable income cannot exceed 5 % of the donor's total income. The treatment of non-monetary donations is the same as for monetary donations, and taxation is based on their market value. For corporate donors, the total of donations deducted from taxable income may not exceed either 3 % of the sum of the payments made during the year and subject to social insurance tax, nor 10 % of the calculated profit of the latest fiscal year. The treatment of non-

monetary donations is the same as for monetary donations, and taxation is based on their market value (European Foundation Centre, 2011).

### 1.3 The foundation landscape

The Estonian nonprofit sector consists of three types of organisation: nonprofit associations (mittetuhandusühingud), foundations (sihtasutused) and informal partnerships (seltsingud). The first two types of organisation are legal persons. As of 1 January 2014, a total of 29 530 nonprofit associations and 801 foundations were registered with the Registry of Non-Profit Organisations and Foundations, which is located at the Centre for Registers and Information Systems. The Registry is supervised by the Ministry of Justice. According to the data derived from the Registry of Non-Profit Organisations and Foundations, most foundations are operating in the field of health care and social welfare (116), and art, entertainment and recreation (133). 46 foundations are active in professional, research and engineering fields (Register of Non-profit Associations and Foundations).

Foundations' operations are regulated by the Foundations Act, which came into force on 1 October 1996. All foundations are independent legal persons acting under civil law, irrespective of their founder, except for those foundations set up by Parliament through separate laws (e.g. The Cultural Endowment of Estonia). This Act gave rise to the establishment of foundations. In Estonia the distinction between foundations serving public purposes and those serving private or other specific purposes has not been clearly defined by Estonian legislation.

In Estonia there are many influential foundations that have been established by the State. Their establishment and operations are based on the State Assets Act, and the Foundations Act and its statutes. The definition of these foundations is given in the State Assets Act (2009): Foundation established by the state – a State foundation or a foundation whose founders include the State; State foundation – a foundation whose sole founder is the State.

According to an Estonian Audit Office audit report, 'Providing funds to foundations established by the State and purposeful use thereof' to Riigikogu on 14 April 2014; as of 22 October 2013 ministries, local governments and constitutional institutions exercise the rights of founders on behalf of the State in 70 foundations. Almost all ministries grant funding to foundations established by the State. The support paid to foundations from the State budget amounted to EUR 114.4 million in 2012 and EUR 126.7 million in 2013 (these figures do not include the EU grants mediated by several foundations). Foundations perform very different functions when using the money obtained from the State budget and the assets transferred to them, from distributing foreign aid to activities in the areas of health, culture, research etc (Estonian Audit Office 2014). Among the foundations established by the State are the largest supporters of R&I, whose role is also to distribute European Union grants (the Social Fund and the European Regional Development Fund) – the Estonian Research Council (the former Estonian Science Foundation), the Environmental Investment Centre, the Archimedes Foundation and the Enterprise Estonia Foundation. In all 17 foundations established by the State operate in the professional, research and engineering fields. Also, many cultural establishments (museums, theatres) and organisations that focus on the advancement of

local life (county development centres, managers of sports facilities) operate as foundations. The Ministry of Culture has been the most active in setting up foundations (23). The rationale behind establishing these entities includes an increase in independent decision-making and an increase in the accountability of the councils and boards of foundations, an improvement in the founders' control through the councils, a rational utilisation of assets, and the involvement of additional funding opportunities.

There are no statistical data available about the financial sustainability of the whole Estonian foundation sector. Nor are there many umbrella or intermediary organisations in Estonia. The largest Estonian organisation uniting public benefit nonprofit organisations is the Network of Estonian Nonprofit Organisations, NENO (or EMSL in Estonian). This umbrella organisation was established in 1991 as the Estonian Foundation Centre. In 1994 it opened its membership to nonprofit associations. As of 24 April 2014, NENO unites 109 large and medium-sized active and operational public benefit nonprofit organisations in Estonia from all fields, 83 associations and 26 foundations. At the same time, NENO's information network involves approximately 4 000 organisations (the Network of Estonian Nonprofit Organisations 2014 ).

According to a survey of Estonian nonprofit organisations 'Institutionalisation of civil initiative in Estonia 2009/2010' it is possible to describe broadly foundations' income structure. The most important sources of foundations' income in 2009 were: (1) income from business operations (available to 52 % of the foundations interviewed), (2) grants from state funds (40%), (3) support from local governments (32 %), (4) support from private Estonian individuals (34 %), (5) grants from Estonian companies (32 %) and (6) allocations from the State budget (25 %) (Tallinn University 2010). Compared to 2004, income from business operations was approximately the same in 2009, while allocations from the State budget had decreased substantially. At the same time, the importance of national funds had materially increased. Foundations have recently been much more successful in obtaining support from Estonian companies, and to some extent from Estonian individuals, compared to earlier times. This trend was expected to continue during the period 2010-2013 as Estonian economy recovered from recession and people were more prepared to donate. Unfortunately, there are no up-to-date data available to confirm this assumption. When interviewed by phone on 10 October 2014, Mrs A Ainsalu confirmed that the most recent survey of Estonian nonprofit organisations, the 'Institutionalisation of Civil Initiative in Estonia 2014' did not cover foundations.

In the country report 'The Roles and Visions of Foundations in Estonia' it was stated:

'Most foundations seem to be rather of a grantseeking than a grantgiving type, their principal assets being their organisational resources and their commitment to a goal, which is considered legitimate by large and sufficiently influential parts of society. This is due both to the scarcity of domestic private capital and to the lack of taxation incentives. Most foundations have been established for the function of raising funds to be used for a specific purpose, rather than for managing an endowment. In most cases, they could be classified as operating foundations' (Lagerspetz and Rikmann 2003: 4).

This estimation is valid also in 2014 since there have been no principal changes in the legal framework regulating the activities of foundations or in the policy of taxation incentives in Estonia.

## 1.4 Research/innovation funding in Estonia

The principles of funding research and innovation in Estonia were set out in the Estonian Research and Development and Innovation Strategy 2007-2013 'Knowledge-based Estonia' (hereinafter the RD&I Strategy), which was adopted by the Riigikogu on 7 February 2007. The strategy focuses on the sustainable development of society through research and development and innovation. The strategy was accompanied by an implementation plan, which included the activities, responsible parties and finances necessary for implementing the strategy. The latest Research and Development and Innovation Strategy 2014-2020 'Knowledge-based Estonia' was adopted by the Riigikogu on 22 January 2014. The aim of the third strategy is to shape RD&I policy corresponding to the Estonian competitiveness strategy 'Estonia 2020' targets. This strategy establishes four main objectives for Estonia: (1) Research in Estonia is diverse and of a high level, (2) research and development (RD) functions in the interests of Estonian society and the economy, (3) RD makes the structure of the economy more knowledge-intensive, (4) Estonia is active and visible in international RDI cooperation. In defining growth areas, the concept of 'smart specialisation' elaborated by the OECD and the European Commission will be implemented as an innovative element (RD&I Strategy 2014).

According to the 'Report on achieving the objectives and implementing the strategy in 2012,' research and development and innovation continued to grow in 2012. The Estonian Research Council was established and calls for new financing instruments – institutional and personal research grants – were organised. R&D investment and the number of researchers grew steadily, new study and laboratory facilities were established, and all the national R&D programs devised by the strategy and targeted at socio-economic objectives were launched. Research machinery and equipment of different scales and importance (national and institutional research groups) were efficiently developed, the network of centres of excellence continued to expand, international cooperation projects and initiatives providing access to international (top-level) infrastructure were launched under the R&D internationalisation program, and measures supporting PhD studies and researcher mobility continued.

R&D investments grew from 1.63 % to 2.41 % of the GDP in 2011, mainly due to a doubling of the private sector R&D intensity, and which exceeds the EU average. This increase occurred mainly due to the doubling of private sector investments, as well as a 22 % increase in public sector investments. R&D-related payments from the Structural Funds increased from EUR 18.3 million to 54.2 million (296 % increase), direct investment from other countries increased from EUR 26.6 million to 46.6 million (75 % increase). In many cases, the Structural Funds' support has helped the top-level performers in education and research to reach the next level in their development (Report on achieving the objectives and implementing the strategy in 2012-2013). When the 'Estonia 2020' competitiveness strategy was drafted, the Estonian R&D targets were adjusted: 2 % of the GDP in 2015 and 3 % of the GDP in 2020. Gross domestic expenditure on R&D (GERD) in Estonia can be found below in Table 1.

**Table 1: Gross domestic expenditure on R&D as a percentage of the GDP according to sector.**

							EU27
	2000	2005	2006	2007	2008	2009	average total 2008
Gross domestic expenditure on R&D as a % of the GDP.	0.60	0.93	1.14	1.11	1.29	1.42	1.89
GERD according to source of funds, % of the total GERD: Business enterprise sector.	24.2	38.5	38.1	41.6	33.6		55.0
Government sector.	59.2	43.5	44.6	45.6	50.0		33.5
Higher education sector.	1.8	0.8	0.9	0.9	0.5		0.9
Private nonprofit sector.	2.2	0.2	0.1	0.2	0.3		1.6
Abroad.	12.7	17.1	16.3	11.7	15.5		8.9

Source: 'Monitoring Policy and Research Activities on Science in Society in Europe,' National Report, Estonia 2011.

The Annual Growth Survey 2013 from the European Commission emphasises the need to invest in education, research and innovation, and energy, and the Commission's country-specific recommendations suggested that Estonia prioritise RD&I activities and make them more international.

The public and the private sector both receive financing from three sources. The most important source in both cases is self-financing: the public sector receives mainly government funding and the private sector receives mainly funding from enterprises.

**Table 2: Share of financing of the public and the private sectors by sources in 2010-2011**

Sector and year	Funding body					
	Government		Enterprises		Foreign sources	
	2010	2011	2010	2011	2010	2011
Private sector	11.14 %	6.8 %	83.1 %	85.3 %	5.7 %	7.9 %
Public sector	78.9 %	78.3 %	3.9 %	3.1 %	17.2 %	18.6 %

Source: Estonian Research and Development and Innovation Strategy 2007-2013 "Knowledge-based Estonia. Report on achieving the objectives and implementing the strategy in 2012 (Ministry of Education and Research 2013)

Approximately 83 % of public R&D finances are planned through the budget of the Ministry of Education and Research in Estonia.

## Estonia's position on the Innovation Union Scoreboard

Estonia's position on the Innovation Union Scoreboard remained the same in 2011 compared to the previous year at 14th (three places below the EU27 average). Estonia also maintained its position in the innovation followers group ahead of Italy and after Cyprus. Estonia's biggest strengths compared to other EU countries are its private sector expenditure (primarily concerning innovation expenditure not related to research and development) (2nd position), and its share of the public sector R&D (6th position).

In the Estonian RD&I Strategy 2014-2020 the target level for indicators for 2020 are set out as follows:

- Investment in research and development: 3 % of the GDP, including private sector R&D expenditure: 2 % of the GDP (2011: 2.41 % and 1.52 % of GDP, respectively).
- 10th place (minimum) on the EU Innovation Union Scoreboard (RD&I Strategy 2014-2020 2014).

**Table 3. Estonia's position on the Innovation Union Scoreboard**

	2004	2005	2006	2007	2008	2009	2010	2011
Estonia's position in the Innovation Union Scoreboard	21	19	19	18	16	12	14	14

Source: Estonian Research and Development and Innovation Strategy 2007-2013 "Knowledge-based Estonia. Report on achieving the objectives and implementing the strategy in 2012 (Ministry of Education and Research 2013)

The RD&I Strategy 2007-2013 Implementation Report said that the biggest problem in Estonia is the economic impact of innovation, where Estonia ranks 23rd. Therefore, increasing the innovation output and economic impact deriving from this, including creating an R&I and business environment necessary for increasing export intensity and employment in medium and high-tech industry and knowledge-intensive services, remains the main challenge for Estonia (RD&I Strategy 2014-2020 2014).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The list of foundations supporting R&I in Estonia was created using different databases:

- A list of R&D institutions (the register of R&D administered by the Ministry of Education and Research).
- A list of foundations requested from Statistics Estonia (840).
- A list of businesses/foundations/nonprofit associations established by the government and requested from Statistics Estonia (288).
- The e-Business Register (including the Registry of Non-Profit Organisations and Foundations).

The e-Business Register is a service based on the database of the registry departments of the county courts which provides the real-time data of all legal persons registered in Estonia. The register of R&D is not up to date as registration is voluntary and not all potential R&D institutions are registered.

Additionally, the following enquiries were made:

- Enquiries to the Estonian Research Portal ETIS.
- Enquiries to the Business Register to ascertain the R&I foundations from the list of all foundations.
- Internet search (foundations' webpages) to reach the statutes and annual reports of the foundations that could be identified as R&I foundations.

The use of the Registry of Non-Profit Organisations and Foundations data is free of charge when making online enquiries about the data on valid registry cards (including name, register code and year of establishment) of a single organisation. General information, general and personnel data, annual reports and the articles of associations are publicly available via the e-Business Register for a fee. Besides the use of the Registry of Non-Profit Organisations and Foundations via online enquiries (one foundation at a time), an Internet search was used to reach the statutes and annual reports of the foundations.

The list of businesses/foundations/nonprofit associations founded by the government sector was analysed case by case to sort out the R&I foundations.

As a result of this research list of 84 R&I foundations was created. These foundations were divided into 3 groups:

1. R&I foundations (55) – research and/or innovation was mentioned as an aim in their statutes.
2. Regional Development Centres (19) – these institutions were selected as potential players in innovation.
3. Museums (10) – these institutions were selected as potential players in science communication/education.

This sample is representative of the whole R&I foundation sector in Estonia as it covers almost all the foundations active in this field. The potential role of museums and regional development centres was overestimated in the sample, but in a few years these institutions could become important and specialist players in the Estonian R&I field.

## 2.2 The survey

The data collection was carried out by sending a survey invitation by VU to 84 foundations. The invitation letter was accompanied by letters of endorsement from the EFC and Tallinn University of Technology. 40 foundations responded to the survey, 27 foundations responded to the full questionnaire and 13 foundations responded to the short questionnaire.

Among the respondents there were 24 foundations supporting R&I. One foundation (the Tiger Leap Foundation) was dissolved during the survey period and one foundation (the B. G. Forselius Fund) informed us that no activities were carried out in 2012 at all.

To increase the response rate the following strategies were used:

- Three e-mail reminders were sent to the foundations who had not responded to the questionnaire: on 24 September 2013 to complete the full questionnaire, on 13 October 2013 to complete the short questionnaire, and on 30-31 October 2013 to complete either the full or short questionnaire for the most important foundations who had not completed the online questionnaire.
- Telephone calls were made to most important foundations to persuade them to fill in the questionnaire (long or short version).

The filled-in questionnaires (incomplete entries) were complemented with the data from the foundations' annual reports such as the amount of income, assets and expenditure, as well as other missing information.

## 2.3 The interviews

Instead of interviews other sources were used to boost the quantitative results from the survey. Comprehensive information about the foundations' activities and the annual reports available on their websites were explored. The strategies approved by the Estonian Parliament (including the Estonian Research and

Development and Innovation Strategies 2007-2013 & 2014-2020 'Knowledge-based Estonia') and the reports from the Research and Innovation Policy Monitoring Programme (TIPS) were also explored. The publicly available documents from other national stakeholders in R&I, for example the Ministry of Education and Research (responsible for R&I policy) and the Development Fund, which supporting innovative companies were also studied for our analysis.

The most essential information about R&I strategy was found on the Ministry of Education and Research website. Information about research funding, science communication and international cooperation is available on the Estonian Research Council (ERC) website. The Estonian Research Council was established on 1 March 2012 on the basis of the Estonian Science Foundation and was combined with the Research Cooperation Centre, a department of the Archimedes Foundation, acting as a Seventh Framework Programme National Contact Point. The Estonian Research Council was established to concentrate R&D funding and to guarantee the better functioning of financing systems. The Estonian Research Council is the main R&D funding organisation, consolidating different grants and types of funding, and giving research more visibility in society (Estonian Research Council 2013).

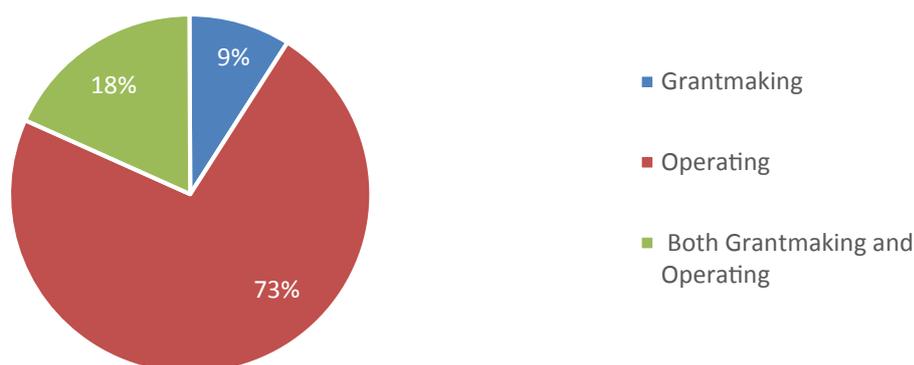
An analysis of research funding in Estonia was presented in five scientific radio broadcasts named 'Falling Apple' on Radio Kuku, where different stakeholders (the ERC, the Ministry of Education and Research, the Academy of Science, Tartu University and the Science Centre Energy foundation) participated (Maidla 2013, 2014). To gain more information about the role and importance of the R&I foundation sector in Estonia, communication by telephone and e-mail was carried out with a representative from Statistics Estonia who was responsible for the surveys on R&D and innovation.

# 3 Results

## 3.1 Types of foundation

Foundations in Estonia can be divided into two types: grantmaking and operating. As in the whole foundation sector in Estonia, R&I foundations are dominated by operating foundations – 16 (72.2 % of the respondents). Only two (9.1 %) of the respondents identified themselves as entirely grantmaking foundations. These are relatively small and young foundations established in 2006-2008. Four (18.2 %) of the foundations specified themselves as both grantmaking and operating. Among these foundations are the two biggest foundations established by the State, which support research (the Estonian Research Council and the Archimedes Foundation), and two foundations which support innovation. The types of foundation are presented in Figure 2 below.

**Figure 2: Types of foundations by grantmaking versus operating**  
As a percentage of the total number of foundations (N=22)

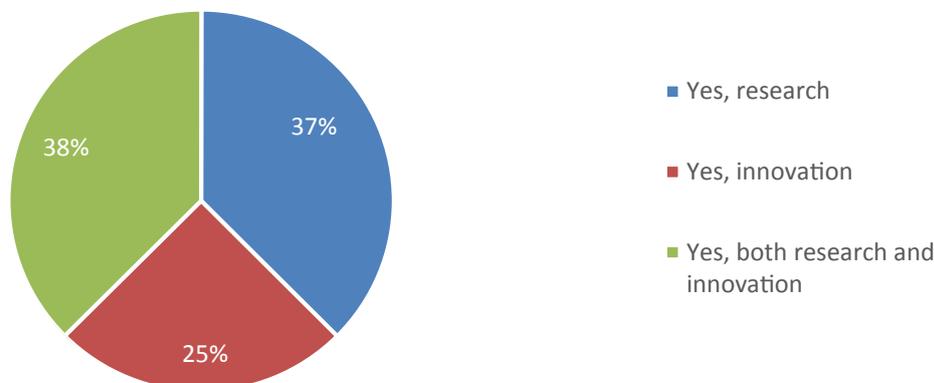


During the implementation of the national research and innovation policy, the foundations established by the government played the most important role. The Estonian Research and Development and Innovation Strategy 2007-2013 ‘Knowledge-based Estonia’ (RD&I strategy) said that the main authorities implementing RD&I strategy are universities and other research institutions as well as the Estonian Research Council (the former Estonian Science Foundation), the Archimedes Foundation, Foundation Innove and Enterprise Estonia. All these foundations participated in the EUFORI survey. Innovation is supported both by the foundations established by the Estonian government such as Enterprise Estonia and the Information Technology Foundation for Education, as well as by Tallinn Science Park Tehnopol and the Tartu Science Park. Innovative solutions are also provided by smaller foundations such as the Tartu Centre for Creative Industries Foundation (in facilitating a creative economy). Also regional development centres such as the Ida-Viru Enterprise Centre Foundation still acknowledge their roles as engines of innovation.

The responding foundations specified themselves as follows (see Figure 3 below): nine foundations (37 %) as research (including research-related activities) supporting, six foundations (25 %) as innovation supporting, and nine (38 %) foundations as supporting both research and innovation.

**Figure 3: Types of foundations by research and/or Innovation**

As a percentage of the total number of foundations (N=24)



The oldest of the responding foundations is the Open Estonia Foundation, established in 1990. All the other foundations were founded during the period 1996-2009. The first foundation supporting innovation was founded in 1996, and the rest of these foundations were founded in 2000-2009. The two biggest foundations supporting research were established in 1997 by the government. Thus, we can state that the foundations active in R&I in Estonia are relatively young. The most important players are the State foundations.

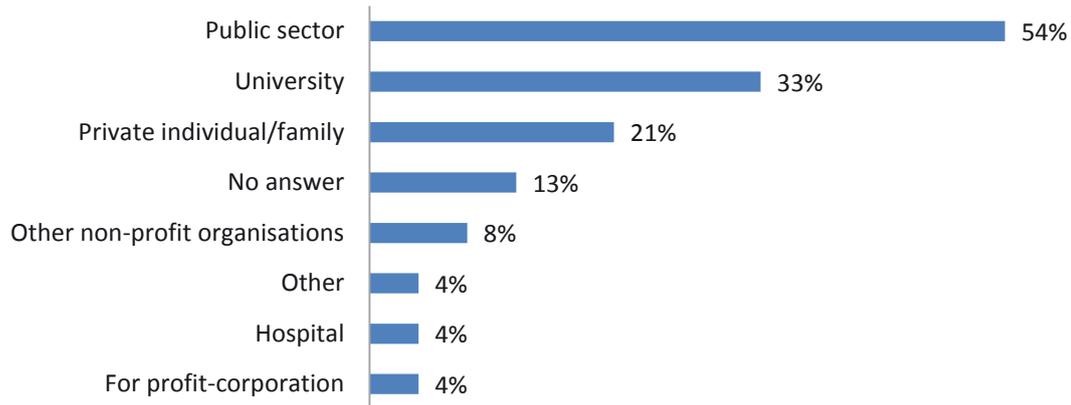
## 3.2 Origins of funds

### 3.2.1. Financial founders

The financial founders of the majority of R&I foundations in Estonia are from the public sector (government, local government). Figure 4 below gives an overview of the financial founders of R&I foundations. The Estonian government and local governments are among the financial founders of 13 foundations. Universities are among the financial founders of eight R&I foundations, for-profit corporations are among the financial founders of one R&I foundation, and a hospital is among the financial founders of one R&I foundation. The majority of the foundations (14) have only one type of financial founder such as the government/local government(s), private individuals, or a university. Four foundations have two different types of financial founder, and three foundations have three different types of financial founder.

#### Figure 4: Financial founders

As a percentage of total number of foundations, multiple answers possible (N=24)



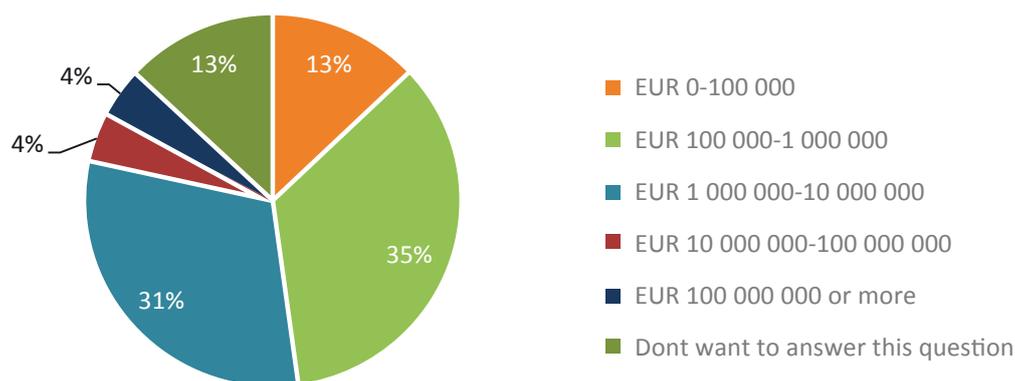
According to the Foundations Act the defining of a foundation's annual strategy is the responsibility of its governing bodies. This is illustrated by the responses, which show that in the majority of cases the annual strategy is defined by a governing board with appointed members (37.5 %) or a governing board with elected members (33.3 %). Only in the case of five foundations is the annual strategy also the responsibility of the founders.

### 3.2.2 Income

The total income of the R&I foundations is shown in Figure 5.

The total income of about two thirds (65.2 %, 15) of the foundations is within the range of EUR 100 000-10 000 000 euro. The total income of one foundation was within the range of EUR 10 000 000-100 000 000, and one foundation had the highest income, with EUR 100 000 000 (4.3 %, 1). The income of the foundations supporting innovation is lower than the income of the foundations supporting research. The income of all the foundations (6) supporting innovation is within the range of EUR 100 000-10 000 000. At the same time, two foundations established by the government had the biggest income within the range of EUR 10 000 000-100 000 000 and more than EUR 100 000 000 goes to supporting research. The total income of these two foundations makes up 83.8 % of the total income of all the foundations (20). At the same time the income of two grantmaking foundations makes up only 1.2 % of the total income of all the foundations.

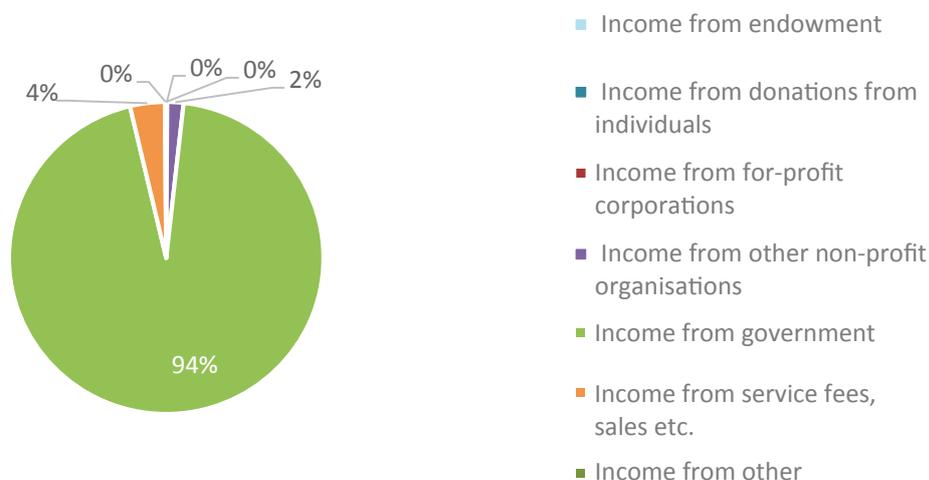
**Figure 5: Total income by categories in Euros, 2012**  
As a percentage of total number of foundations (N=23)



Statistics income	
Number of foundations	20
Mean in Euros	8 705 506
Median in Euros	807 830
Total income in Euros	174 110 120

For the majority of the foundations (90.9 %, 20) their source of income was from the government. Service fees and sales were sources of income for 17 foundations (77.3 %). Donations from other nonprofit organisations were sources of income source for seven foundations (31.8 %). Endowments were a source of income for only one foundation (supporting research and research-related activities). Income from the government was the important source of income for all the foundations (8) supporting research and research-related activities, as well as for the majority of the foundations supporting innovation. Table 4 and Figure 6 give an overview of the foundations' income according to source.

**Figure 6: Sources of Income**  
As a percentage of total number of foundations (N=22 )



The majority of the foundations receive their income from the government, which makes up 94.6 % of their entire income. The next source of income according to amount is 3.6 %, which comes from service fees and sales etc. This result is quite reasonable since the majority of R&I foundations were established by the government, which also provides most of the funds (including grants from European Union funds). It also means that R&I foundations are very dependent on government funding.

**Table 4: Sources of income**

Source of Income	Amount in Euros
Income from endowment	63 116
Income from donations from individuals	3 000
Income from for-profit corporations	90 400
Income from other non-profit organisations	2 665 618
Income from government	150 112 780
Income from service fees, sales etc.	5 685 701
Income from other sources	201 885
Unknown	15 287 620
<b>Total</b>	<b>174 110 120</b>

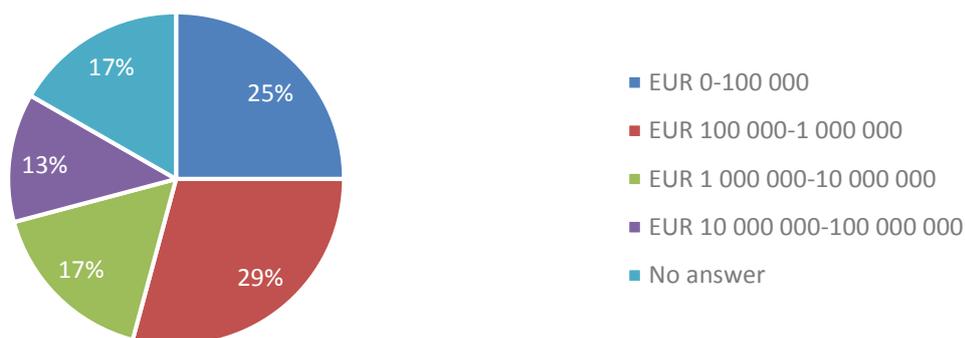
Nearly 8.8 % of the total income of the foundations is not allocated according to the source of income.

### 3.2.3. Assets

Figure 7 provides an overview of the assets of R&I foundations.

In almost a quarter (25 %, 6) of the cases, the assets of R&I foundations are within the range of EUR 0-100 000, and almost half the assets (45 %, 11) are within the range of EUR 100 000-10 000 000. The value of the assets of three foundations (13 % of respondents) exceeded EUR 10 000 000. Among these foundations is one of the most important foundations supporting research and two foundations supporting innovation. All these foundations were established by the government.

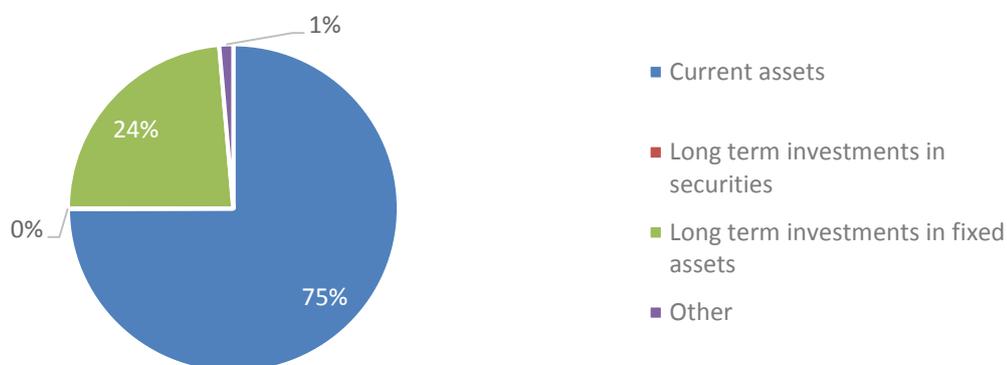
**Figure 7: Total assets by categories in Euros, 2012**  
As a percentage of total number of foundations (N=24)



Statistics Assets	
Number of foundations	24
Mean in Euros	5 894 107
Median in Euros	302 012
Total assets in Euros	141 458 970

Table 5 and Figure 8 give an overview of the assets structure of the foundations supporting R&I.

**Figure 8: Distribution of assets**  
As a percentage of total (known) assets (N=14)



The majority of the foundations (14) maintain their assets in current assets, which makes up 75 % of the total assets of the R&I foundations. The assets of six foundations (24 % of total assets) are in long-term investments in fixed assets, the assets of two foundations (1 %) are in other forms, and the assets of one foundation are in long-term investments in securities. The assets of nearly half of the foundations (6) which support research are only in current assets.

**Table 5: Distribution of assets**

Distribution of assets	Assets in Euros
Current assets	98 400 504
Long-term investments – securities	71 805
Long-term investments – fixed assets	31 017 578
Other	1 801 098
Unknown	10 167 985
<b>Total assets</b>	<b>141 458 970</b>

7.2 % of the total assets of the foundations has been not distributed according to category.

## 3.3 Expenditure

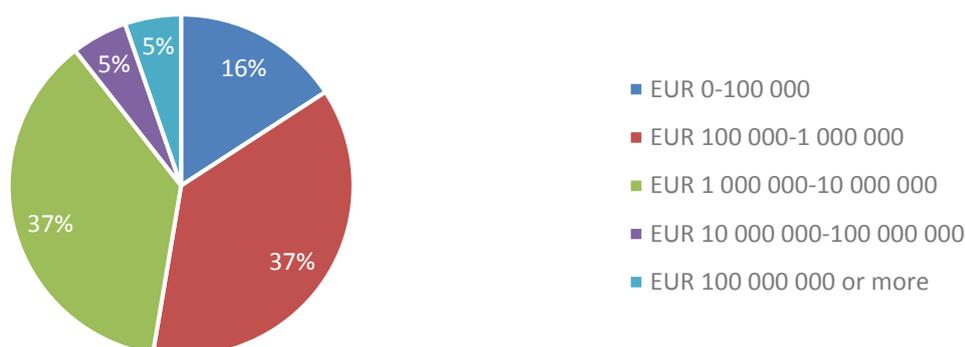
### 3.3.1 Total expenditure

Figure 9 provides an overview of the expenditure of R&I foundations.

Three foundations (16 %) have expenditure within the range of EUR 0-100 000, seven foundations (37 %) have expenditure within the range of EUR 100 000-1 000 000, and seven foundations (37 %) have expenditure in the range of EUR 1 000 000-10 000 000. The amount of the expenditure of one foundation (5 %) was within the range of EUR 10 000 000- 100 000 000 and the amount of expenditure of one foundation (5 %) exceeded EUR 100 000 000. The two foundations with the highest expenditure are the main foundations supporting research and research-related activities.

**Figure 9: Total expenditures by categories in Euros, 2012**

As a percentage of total number of foundations (N=19)

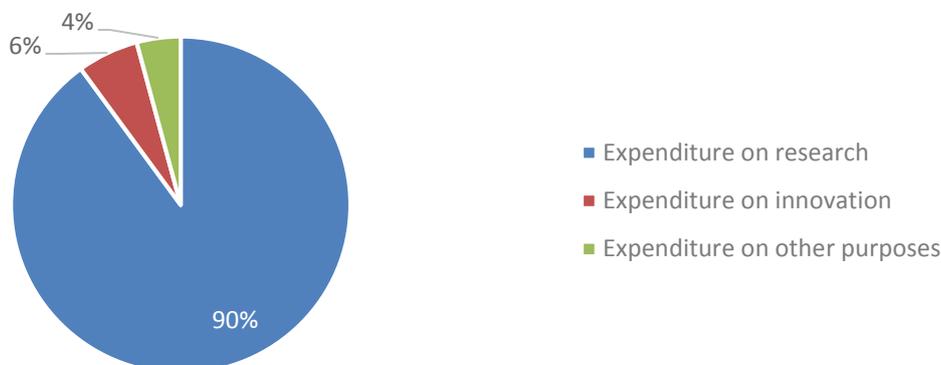


Statistics expenditure	
Number of foundations	19
Mean in Euros	8 894 315
Median in Euros	908 707
<b>Total expenditure in Euros</b>	<b>168 991 976</b>

The total amount of expenditure (known) of R&I foundations is EUR 163 321 397, 90 % thereof comprising expenditure on research, 5.8 % on innovation and 4.2 % on other purposes (see Table 6 and Figure 10 below).

**Figure 10: Distribution of total expenditures by research, innovation and/or other purposes**

As a percentage of total (known) expenditures (N=14)



**Table 6: Distribution of total expenditure**

Expenditure	Amount in Euros
Expenditure on research	146 959 762
Expenditure on innovation	9 530 584
Expenditure on other purposes	6 831 051
Unknown	5 670 579
<b>Total expenditure</b>	<b>168 991 976</b>

The distribution of 3.4 % of foundations' expenditure is not known.

### 3.3.2 Research

Seven foundations indicated the form of their expenditure on research. Most of their expenditure (95.1 %) on research is in the form of grants and 4.5 % is the own operating costs of the R&I foundations (see Table 7 below). Two relatively small foundations that support research have indicated that 100 % of their expenditure is in the form of own operating costs. One of them focuses on research and the other on the research-related activities.

Five foundations have indicated how their expenditure is divided between direct research and research-related activities. Three foundations (including the main research supporting foundation) indicated that their expenditure goes to direct research, which makes 11.6 % of their total expenditure on research. Five foundations (including the second main research supporting foundation) stated their expenditure as being research-related expenditure. Research-related expenditure makes up 87.8 % of the total expenditure on research (see Table 8 below).

More than a half of the responding foundations (12) reported a division of expenditure between basic and applied research: 88 % of expenditure (7 foundations) goes to applied research and 12 % of expenditure (5 foundations) goes to basic research.

**Table 7: Form of expenditure on research (N=7)**

Form of expenditure	Amount in Euros	Percentage
Grants	139 810 662	95.1 %
Own operating costs	6 620 803	4.5 %
Other costs	388 767	0.3 %
Unknown	139 530	0.1 %
<b>Total</b>	<b>146 959 762</b>	<b>100 %</b>

**Table 8: Distribution of expenditure on research (N=5)**

Expenditure	Amount in Euros	Percentage
Direct research	16 992 356	11.6 %
Research-related activities	128 998 043	87.8 %
Unknown	969 364	0.6 %
<b>Total</b>	<b>146 959 762</b>	<b>100 %</b>

### 3.3.3. Innovation

Seven foundations indicated the form of their expenditure on innovation. 63.4 % of expenditure on innovation is in the form of grants and 31.9 % is their own operating costs (see Table 9 below). The foundations which support innovation are both grantmaking and operating, most of them (6) were established by the government or a local government. Among them are relatively big foundations such as science parks, but also the foundations which support information and communication technology-related education development in Estonia and the development of electronical solutions in the national health system.

**Table 9: Form of expenditure on innovation (N=7)**

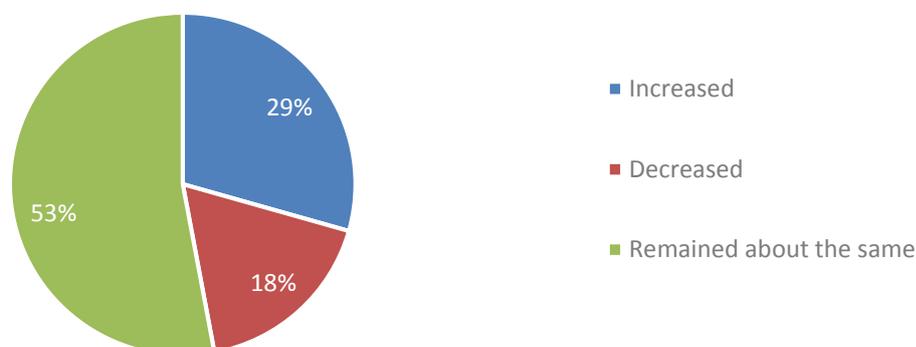
Expenditure	Amount in Euros	Percentage
Grants	6 043 258	63.4 %
Own operating costs	3 035 625	31.9 %
Other costs	126 772	1.3 %
Unknown	324 929	3.4 %
<b>Total</b>	<b>9 530 584</b>	<b>100 %</b>

### 3.3.4 Changes

While analysing the expenditure of R&I foundations compared to the previous (2011) year, it remained the same for the majority of the foundations (52.94 %, 9), increased in the case of 29.41 % of the respondents (5), and decreased for 17.69 % of the respondents (3); see Figure 11 below.

**Figure 11: Changes in expenditures to research and innovation compared to previous year**

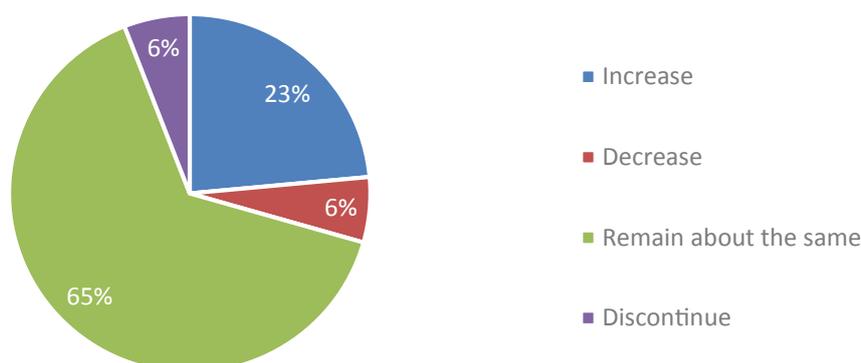
As a percentage of total number of foundations (N=17)



The outlook for the coming (2013) year seems stable as far as expenditure is concerned, i.e. 64.71 % (11) of the respondents holds that expenditures will remain about the same, 23.53% (4) foresees for the increase in costs, one foundation expects that the expenditures will decrease and one foundation predicted that it will discontinue in 2013 (see Figure 12 below). Among the foundations which are more optimistic about the next year are three foundations established by the government and one established by other nonprofit organization.

**Figure 12: Changes in expenditures to research and innovation compared, expectations for the next year**

As a percentage of total number of foundations (N=17)



## 3.4 Focus of support

### 3.4.1 Beneficiaries

It is difficult to generalise on the beneficiaries of R&I foundations as only four of the respondents provided an answer to this question. Among them were two bigger and two smaller foundations supporting research and innovation. Out of the respondents, in three cases beneficiaries were identified as individuals

and public higher education institutions, in two cases private HEI and the nonprofit sector, and in one case others such as the government sector and the business sector. One of the main foundations supporting research indicated its beneficiaries as being in all the abovementioned categories. The second main foundation supporting research defined its beneficiaries as individual researchers and research institutions.

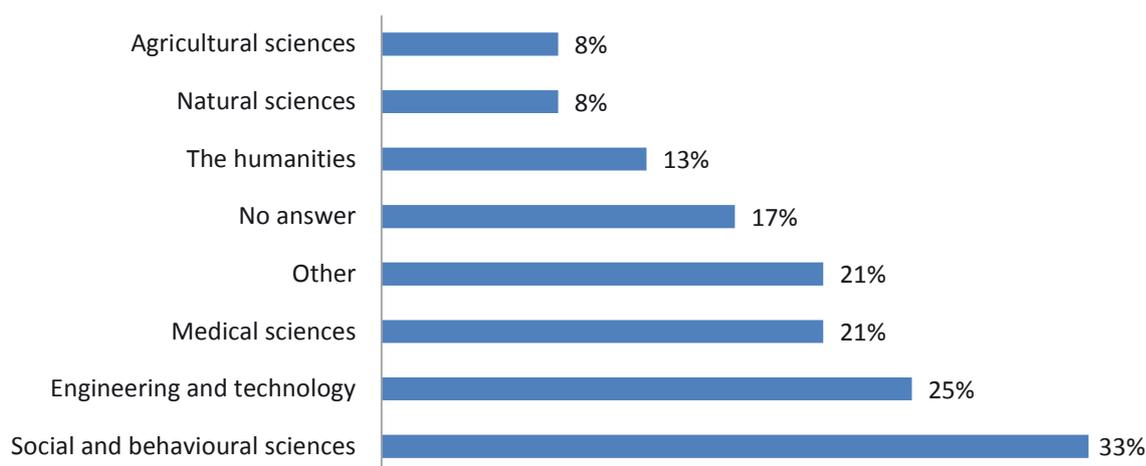
The foundations supporting innovation mainly support the business sector, but also research institutions and the nonprofit sector. For example, Enterprise Estonia provides financial assistance, counselling, co-operation opportunities and training for entrepreneurs, research institutions, the public and nonprofit sectors. Tartu Science Park Foundation as the oldest science park in the Baltics has supported business innovation activities by networking with universities and the public and private sectors. Tallinn Science Park Tehnopol provides a unique set of business development services, infrastructure and international cooperation opportunities for companies, and also for universities.

### 3.4.2 Research areas

An overview of the research areas supported by R&I foundations is presented in Figure 13.

**Figure 13: Thematic research fields**

As a percentage of total number of foundations, multiple answers possible (N=24)



The respondents support more frequently social and behavioural science (8 foundations, 33.3 %), six foundations (25 %) support engineering and technology, and five foundations (20.8 %) support medical science. Unfortunately, several R&I foundations active in Estonia in medical science and natural science did not participate in the survey.

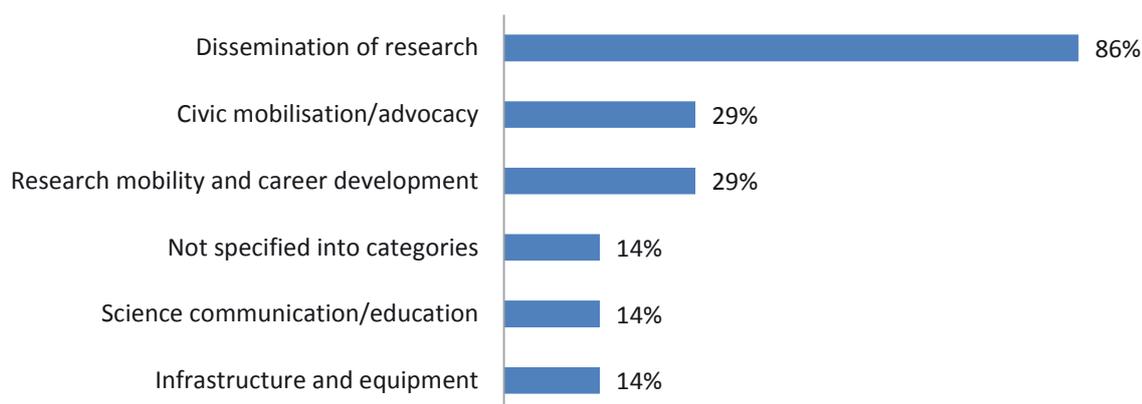
### 3.4.3 Research-related activities

In 2012 research-related activities were supported by seven of the responding R&I foundations. The most frequently mentioned activity was the dissemination of research, which is supported by nearly all the respondents (6). The next activities they support are research mobility and career development (2), and civic mobilisation and advocacy (2). The main foundation supporting research indicated four types of research-related activities, and three foundations named the dissemination of research as the only research-related

activity (see Figure 14 below).

#### Figure 14: Research related activities

As a percentage of total number of foundations, multiple answers possible (N=7)



### 3.4.4 Changes in expenditure on research and research-related activities

Out of the responding foundations, most have supported the dissemination of research (8) in the past five years. Next comes research mobility and career development (5), science communication/education (5), technology transfer (4), infrastructure and equipment (4), and finally civic mobilisation/advocacy (4). Fifteen respondents indicated which areas they have supported in the past five years. Out of these foundations the most have supported engineering and technology (6), social and behavioural science (6) and the humanities (5).

## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

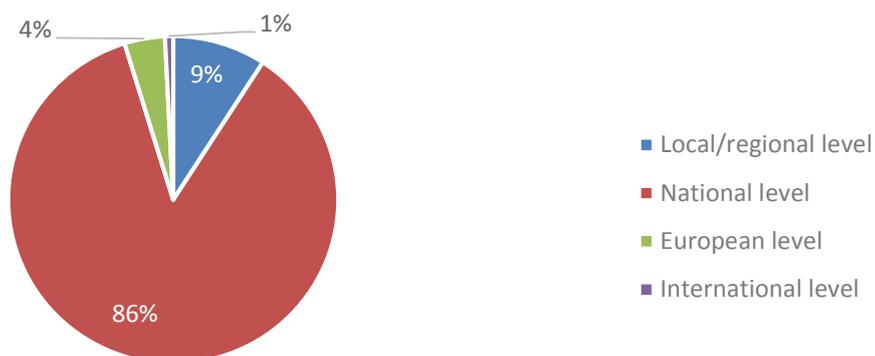
The majority of the responding foundations support R&I activities in Estonia (86.1 % of the known expenditure). Five foundations support R&I activities on a local or regional level (9 % of the expenditure). Seven foundations provide funds for R&I activities on a European level, but the total amount of their expenditure is only 4 % of the total known expenditure on research and innovation. One of the main reasons is the limited financial resources of the foundations for the European level activities. A geographical division of the expenditure is provided in Table 10 and Figure 15 below.

**Table 10: Geographical focus of support (N=13)**

Geographical level	Amount in Euros
Local/regional level	1 035 380
National level	9 748 998
European level	449 074
International level	91 299
Unknown	157 667 224
<b>Total</b>	<b>168 991 976</b>

**Figure 15: Geographical focus of support**

As a percentage of total (known) expenditures to research and/or innovation (N=13)



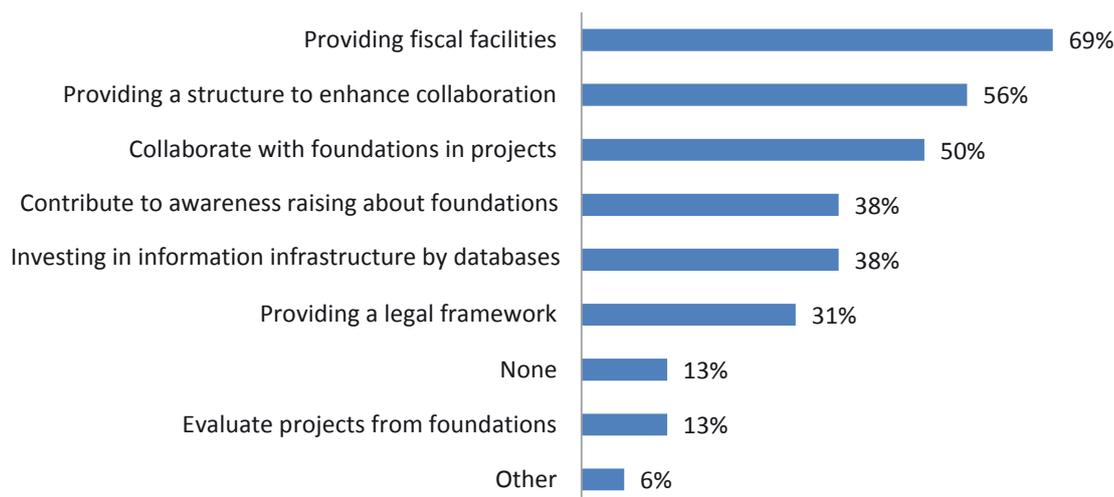
The three foundations supporting R&I activities in other EU countries specified only fiscal difficulties out of all the difficulties they face. Two of them are quite small R&I supporting foundations, one foundation was established by the government and is mainly devoted to science communication and education. This foundation is an internationally renowned cooperation partner in several organisations and an active partner in several international projects. One respondent mentioned other difficulties such as complex financial rules for think tanks.

### 3.5.2 The role of the European Union

The respondents see the role of the European Union mostly as providing fiscal facilities (68.8 %, 11). The role of the EU as providing a structure to enhance collaboration (56.3 %, 9) and collaboration with foundations in projects (50 %, 8) is seen as significant. The role of the EU as a contributor to awareness raising about foundations (37.5 %, 6) and investing in an information infrastructure by databases (37.5%, 6) is also considered quite significant. The role of the European Union is illustrated in Figure 16 below. The R&I foundations in Estonia are very dependent on financing from the European Union for their development. All the foundations established by the government mentioned the fiscal facilities provided by the European Union as being very important additional income sources. The Estonian R&I foundations are active in international cooperation as members of European networks and partners in European projects. The foundations supporting innovation are offering more and more services not only locally but also internationally.

**Figure 16: Role of the European Union**

As a percentage of total number of foundations, multiple answers possible (N=16)

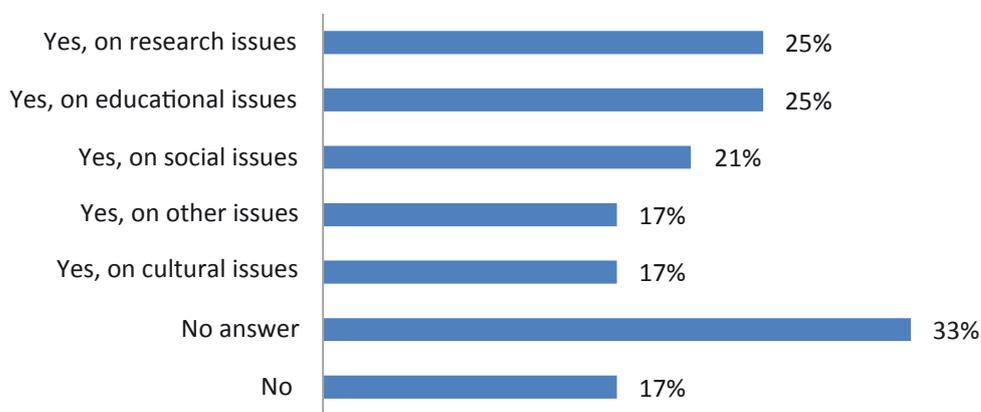


### 3.5.3 Contribution to European integration

Estonian foundations supporting R&I contribute to European integration in many different ways. Figure 17 provides an overview of the contribution of R&I foundations to European integration. The activities of these foundations provide the largest contribution (25 % of respondents) to integration on educational issues (e.g. encouraging and supporting free movement of the academic community within Europe) and to integration on research issues (25 %). The contribution to integration on social issues (e.g. a combination of living and working conditions) and to cultural issues (e.g. the process of one culture gaining ideas and technologies) is almost equal. Two of the respondents (the main research-supporting foundations) contribute to European integration extensively through research, educational, social and cultural activities. Two foundations supporting innovation are active in European integration in three different types of activity. Several other issues concerning European cooperation such as defence, citizen involvement and health care were mentioned by the respondents.

**Figure 17: Contribution to European Integration**

As a percentage of total number of foundations, multiple answers possible (N=24)



## 3.6 Foundations' operations and practices

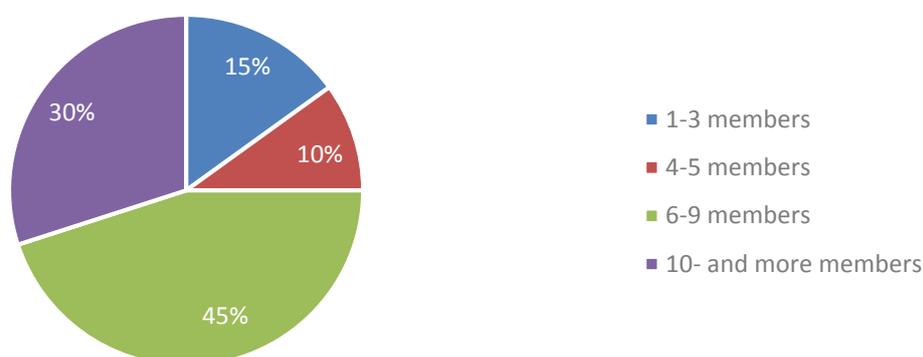
### 3.6.1 Management of foundation

The Foundations Act specifies that the governing bodies of Estonian foundations are a governing board and a supervisory board. The governing board may consist of one or several members. The supervisory board should have three members unless the articles of association prescribe a greater number of members. Accordingly, the governing board usually has fewer members than the supervisory board.

Ten of the responding foundations have a governing board of one member, eight foundations have a governing board of two members, one foundation has a board of three members and two foundations have a board of four members.

Figure 18 below gives an overview of the size of the supervisory boards of R&I foundations.

**Figure 18: Number of supervisory board members**  
As a percentage of total number of foundations (N=20)



Most of the respondents have a supervisory board of between six and nine members (45 %). One third of the respondents have a supervisory board of ten or more members (30 %), and a quarter have a board of between one and five members (25 %). The smaller foundations established by institutions other than the government mostly have a supervisory board of three members, and foundations which have several different types of founder tend to have more members on their supervisory board.

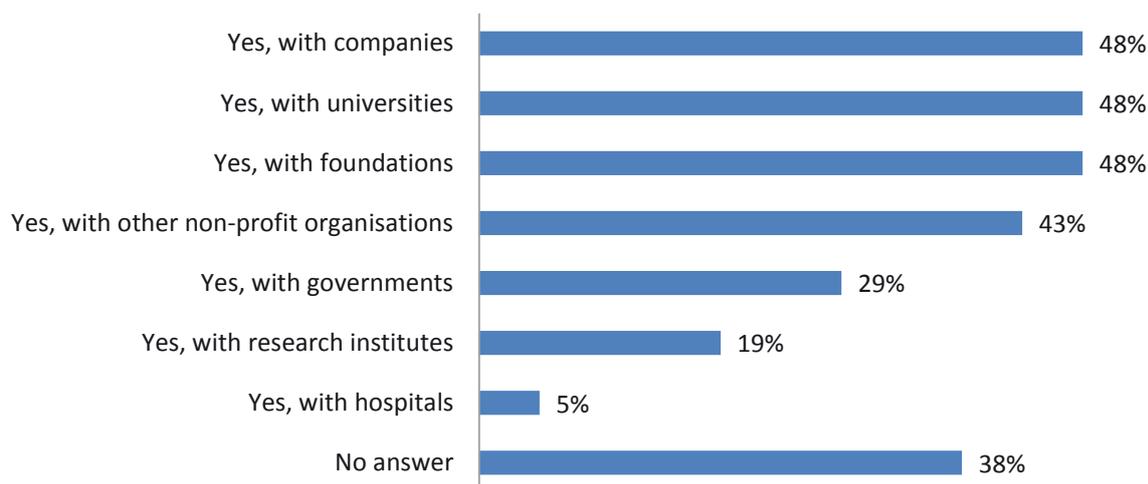
81 % (17) of the respondents have paid professional staff, and four foundations have no paid staff. This situation is common in Estonia in the case of small foundations established on private citizens' initiative and/or having a relatively small income. The number of paid staff differs greatly. More than half (8) of the foundations have 11-55 employees, four foundations have 1-10 employees and two foundations have more than 100 employees. The three main State foundations supporting R&I have the highest number of employees.

### 3.6.3 Engagement in partnerships

R&I foundations actively develop joint research activities in partnership with others in the field of R&I. Almost half 47.6 % (10) of the respondents cooperate with companies, universities and other foundations, 42.9 % (9) cooperate with other nonprofit organisations, 28.6 % (6) cooperate with the government (national or local). R&I foundations partnerships are illustrated in Figure 19.

**Figure 19: Partnerships**

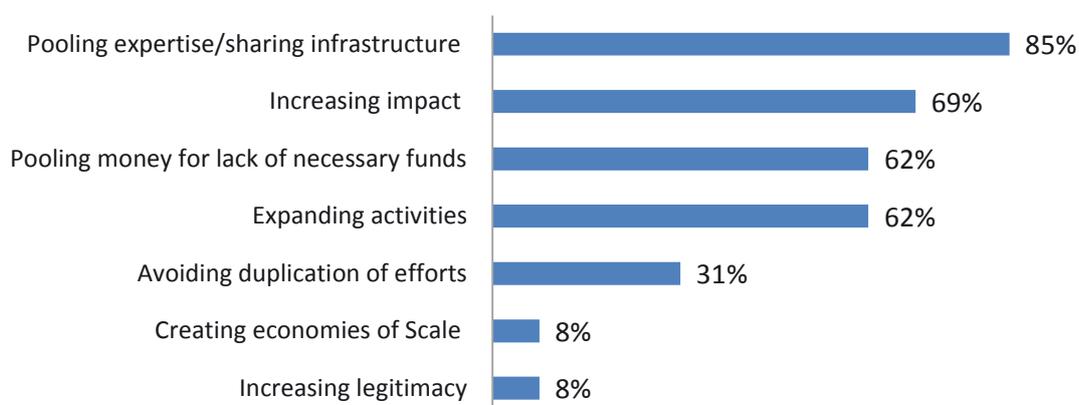
As a percentage of total number of foundations, multiple answers possible (N=21)



The respondents said that R&I foundations are mostly engaged in partnerships in order to pool expertise and/or share infrastructure (84.6 %, 11), and then in order to increasing their impact (69.2 %, 9). Expanding their activities (61.5 %, 8) and pooling money due to a lack of necessary funds (61.5 %, 8) are also important motivations for partnerships. An overview of the motivations for partnerships is provided in Figure 20.

**Figure 20: Motivation Partnership**

As a percentage of total number of foundations, multiple answers possible (N=13)



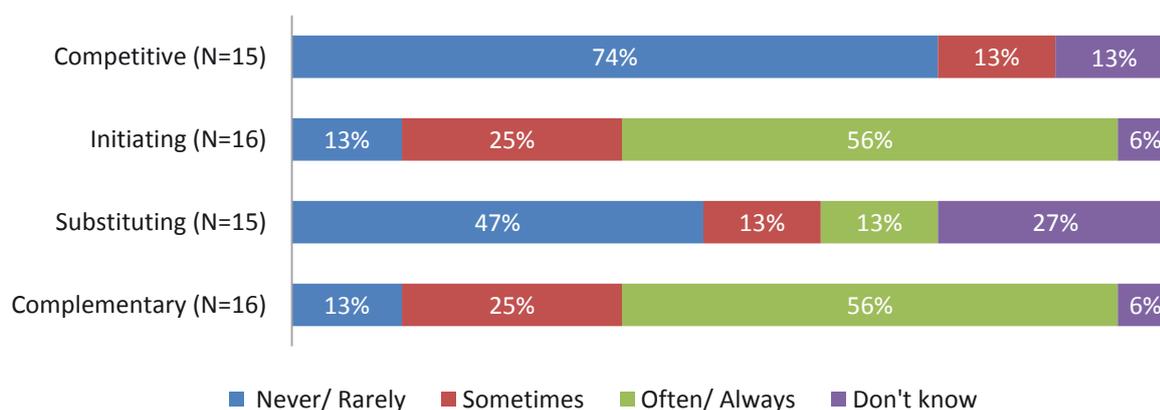
### 3.7 Roles and motivations

Estonian foundations supporting R&I describe their role in the domain of research and innovation primarily as complementary, i.e. additional to public/other support, and as initiating, i.e. aiming to start a project with the expectation that others will take over. More than a half (56.3 %, 9) of the respondents always (5) or often (4) see their role in supporting R&I as complementary. The same number (56.3 %, 9) of the respondents always (2) or often (7) see their role as initiating. Estonian R&I foundations are fairly cooperation oriented, with only 13.3 % (2) sometimes seeing their role as competitive, i.e. aiming to be a rival with other initiatives. The majority (73.3 %, 11) of the respondents never (6) or rarely (5) consider their role as competitive.

The role of foundations as substituting, i.e. instead of/a substitute for public/other support is considered modest. Only 13.4 % (2) of the respondents consider their role as always (1) or often (2) substituting. This opinion is understandable since the majority of Estonian R&I foundations implement national R&I policy and receive the lion's share of their income from the government.

**Figure 21: Role of foundations**

As a percentage of total number of foundations by role



# 4 Innovative Examples

Innovative examples were selected using the following strategies: (1) two initiatives from the quantitative data, (2) an analysis of the websites and annual activity reports of the R&I foundations participating in the survey, (3) an analysis of Estonian media coverage of innovative projects.

The Tallinn Science Park Tehnopol Foundation introduced two innovative initiatives into the quantitative data – ‘Startup Incubator’ and ‘Prototyping Fund Prototron.’

## The Tehnopol Startup Incubator

The Tallinn Science Park Tehnopol Foundation was established in 2003 by the Estonian government, the Tallinn University of Technology and the Tallinn City government. Tallinn Science Park Tehnopol is a centre for technology-based companies in Estonia, bringing together science and entrepreneurship. Today there are more than 150 companies, as well as the Tallinn University of Technology and IT College in Tehnopol. Tehnopol at glance:

- 180+ company operating parks.
- 160+ business service client companies.
- 20+ startup companies in Startup Incubator.
- 14 000 students and over 3 000 researchers nearby.
- 50 000 m<sup>2</sup> of office, laboratory and leisure space.
- Five active science R&D centres.
- Two laboratories in the field of biotechnology and mechatronics (Tehnopol 2014).

Tehnopol provides a unique set of value-adding business development services, a convenient infrastructure and international cooperation opportunities for companies. Tehnopol’s mission is to support the implementation of new and upcoming technologies and to accelerate the growth of technology-based companies.

The aim of the Tehnopol Startup Incubator is to bring new and technology-based business ideas to life focusing on ICT, clean-tech, mechatronics and life-science. Startup Incubator connects business experts, international coaches and mentors, cooperation and office facilities, a wide network of investors, and business boosting events. Companies in the Startup Incubator portfolio benefit from determining the best business model and marketing strategy to commercialise their ideas, from developing investor proposals in order to get funding and from developing significant contact networks.

Startup Incubator offers:

- One-to-one coaching sessions.
- Advice from leading international experts.
- The Startup Academy program.
- Access to a wide network of business angels and venture capitalists.
- Networking events, workshops and expert panels.
- Business trips and meetings abroad (Tehnopol 2014).

At the 2012-2013 Startup Incubator, clients created nearly EUR 2.5 million of added value for Estonia in the form of new jobs, investments and turnover, i.e. the Incubator's services increased the value of the money invested sevenfold. During 2013, fifteen new ideas entered the 'incubation' process and fifteen ideas ended 'incubation,' thus keeping the number of incubation enterprises stable at 20. Nine newly-formed companies successfully ended the incubation program. They created a functioning team, proved the viability of their business model, and found their first customers and investors. In 2013, the Incubator initiated a pilot project for a new development program called the 'Startup Academy,' where six high-potential start-up technology companies participated. During 2013, Startup Incubator involved 6 000 visitors in its events, workshops and hosting foreign delegations.

### **The Prototyping fund Prototron**

The Prototyping fund Prototron was established in 2013 by Tehnopol, Swedbank and the Tallinn University of Technology to finance young entrepreneurs or inventors to build their first product sample – a prototype.

The Prototron fund is open for everyone who would like to translate their idea into a working prototype. After building a successful prototype, the ideas and aspirations of the applicants' businesses can be put into practice with the help of Tehnopol's Startup Incubator. The Prototron fund:

- is open to private or legal persons;
- supports prototypes in the fields of green-tech, electronics, mechatronics or ICT;
- expects a business idea behind the prototype and the new technology;
- expects a motivated and strong team behind the prototype.
- The application can be submitted at any time, but the evaluation is carried out every three months by an expert panel.
- There are no limitations on the size of the financing (Prototron 2014).

In 2013 Prototron financed more than 10 projects of total output of EUR 120 000. One of the most successful funded projects is the startup Lingvist, which is developing 'adaptive' language learning software. Lingvist claims it significantly reduces the time it takes to learn a new language and has raised EUR 1 million of funding from the Estonian Development Fund, Nordic VC Inventure, and several angel investors from Estonia and elsewhere. As a part of the accelerator, TechStars London's latest cohort, Lingvist has

recently made available Lingvist Beta for its English and French learning modules. As of October 2014, the language learners using Lingvist can expect to learn up to 6 000 words on the Estonian-French module, making it roughly equivalent to a B2 level speaker, and up to 3 000 words on the Estonian-English module, making it roughly equivalent to an A2 or B1 level (Lingvist 2014).

### **The Estonian Student Satellite Program**

The Estonian Student Satellite Program was established in 2008. The program started as an initiative of a group of students of physics supported by researchers from Tartu Observatory and the University of Tartu. Since the beginning of the Program, more than 100 students from Estonia, Latvia, Lithuania, Ukraine, Germany, the USA and Finland have participated.

The program is known as a nationwide informal initiative with the strategic objective of supporting innovation and long-term economic growth in the country. More specifically, the activities of the Program are designed to popularise careers in research and technology, to provide high-school, undergraduate, graduate and post-graduate students with hands-on experience through the application of their specific professional skills in space technology development, and to promote the knowledge-based economy as a key factor in Estonia's economic independence. The flagship project of the program has been the development of the first Estonian satellite ESTCube-1, a 1-unit CubeSat launched on 7 May 2013 (Noorma 2013).

ESTCube-1 was built in Estonia by students from Tartu University, the Estonian Aviation Academy, the Tallinn University of Technology and the University of Life Sciences. The main mission of the satellite is to test an electric solar wind sail, a novel space propulsion technology that could revolutionise transportation within the solar system. As Estonia's first satellite, the project will also be used to build Estonian infrastructure for future space projects and to educate space engineers.

This research was supported by the European Space Agency, the Estonian Ministry of Economic Affairs and Communications, and the Estonian Ministry of Education and Research and Enterprise Estonia.

The Estonian Information Technology and Telecommunication Union awarded ESTCube-1 the Deed of the Year 2012 award. The members of the team have received several national awards for the popularisation of science

### **Pilot and demonstration project – Garage48 events**

The Garage48 Foundation was started in Estonia in spring 2010 by six active entrepreneurs from the Estonian Startup Leaders Club, a networking organisation for the majority of Estonian startup founders. The Garage48 Foundation organises Garage48 events and runs Garage48 HUB, a co-working space in Tallinn. The Garage48 event series started in Estonia in April 2010 and have expanded to other countries in Northern Europe and Africa since then. Since 2010, Garage48 has organised more than 35 events in Estonia, Russia, Latvia, Belarus, Ukraine, Ghana, Nigeria, Kenya, South Africa and Uganda.

The goals of Garage48 are:

- To show that teams can turn an idea into a working service or prototype within just 48 hours.
- To organise useful, international and fun startup events on a very low budget.
- To prove that new web and mobile projects can be started with a good team and a low budget.
- To promote entrepreneurship and a startup culture in Estonia, Northern Europe and Africa.
- To teach people to work under a tough deadline – to focus on the core of the project.
- To meet new people from other industries, roles and countries (Garage48 2014).

Garage48 events have received a lot of media coverage both in Estonia and internationally: in tech blogs like TechCrunch, ReadWriteWeb and ArcticStartup; in numerous newspaper articles; in blogs; and on the TV and radio. Garage48 has twice been a finalist at the Europas Awards for the ‘Best Ongoing Startup Program’ by TechCrunch Europe in 2010 and 2011.

All Garage48 events are held in English and have roughly a hundred international participants with different skills ranging from software development to design, marketing, sales and entrepreneurship. Garage48 events usually start at 5pm on a Friday evening and end on Sunday at 5pm. All participants gather together in a large room and pitch 30 to 40 ideas on a stage. Each idea is put up on the wall and everyone can choose their favourite idea and team. Usually 12 to 15 ideas are selected and the teams start working on their projects. Sunday at 5pm is the deadline when they step onto the stage and live-demo a project or prototype. After the presentation the jury and audience vote for their favourites and choose the winners (Garage48 2014).

An overall winner of the most recent Garage48 Tallinn 2014 ‘Health & Wellness’ event on 29 April 2014 was DonateIT. The DonateIT application connects blood donors and donation centres in a quick and convenient way, allowing centres to inform potential donors when their particular blood type is needed and to keep them involved throughout the year (DonateIT 2014).

# 5 Conclusions

## 5.1 Main conclusions

In the 2003 country report 'Roles and Visions of Foundations in Estonia,' it was stated that:

*The foundations sector in Estonia has emerged very recently and very rapidly, and has accompanied an overall social, political and economic change, which has not been less dynamic. It should not come as a surprise that its position in society cannot yet be unambiguously defined.*

*(Lagerspetz and Rikmann 2003: 5).*

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The same conclusion can be applied to the R&I foundation sector in Estonian society in 2014. The first foundation supporting research was established in 1990, and most of the R&I foundations were founded after 1991, when Estonia regained its independence, from 1996 to 2012.

Based on the EUFORI survey we can maintain that the foundations supporting R&I in Estonia are quite young, and that support for R&I by foundations is still in a developmental stage. Until now the role that foundations play in supporting innovation has not been sufficiently acknowledged by society, and these foundations are not covered by the surveys of the Innovation of Statistics Estonia.

The most important characteristic of the R&I foundation sector is its relative proximity to the State. More than half of the respondents (13 foundations active in the R&I field) were established by the government. The policy of the establishment of State foundations, including those in the field of R&I, is a part of Estonian public sector management reform. In several cases R&I foundations were established as implementors of the national research and innovation policy. At the same time, corporate foundations have remained very few in number. Among the R&I foundations, there are only a few foundations where private individuals or businesses are their financial founders.

The close relationship with the government sector means financial dependence on financing by the government and fiscal facilities provided by the European Union. The income of R&I foundations is mainly (94.6 %) provided by the government (including grants from European Union funds). At the same time,

Estonian R&I foundations are active in international cooperation as members of European networks and partners in European projects.

A second characteristic of the R&I foundation sector in Estonia is its relative distance from the business sector. Only one of the EUFORI survey respondents had a business corporation as one of its founders. Income from the donations from for-profit corporations makes up only 0.1 % of the total income of R&I foundations. However, R&I foundations are developing more and more cooperation with private businesses. Almost half 47.6 % (10 foundations) of the respondents cooperate with private companies.

A third important characteristic of the R&I foundation sector is that among the R&I foundations, there are relatively few foundations with large assets. The majority of the foundations maintain their assets as current assets, which makes 75 % of the total assets of R&I foundations. The majority of R&I foundations are operating, they are preferably grantseeking than grantgiving, and they operate their own programs.

A fourth important characteristic of the R&I sector is that the foundations supporting innovation are relatively small, and the amount of support for innovation is modest compared to their financial support for research, making up 0.6 % of their expenditure on research. The pioneers in supporting innovation have been science parks such as the Tartu Science Park Foundation and the Tallinn Science Park Tehnopol.

## 5.2 The strengths and weaknesses of the R&I foundation sector in Estonia

The strengths and weaknesses of the R&I foundation sector in Estonia have been strongly affected by the peculiarities of the Estonian RD&I funding system. The most important challenges for Estonian RD&I are presented in an international comparative analysis of Estonian research funding. The Estonian RD&I system is (1) highly project- and competition-based; (2) the research funding policy has increasingly concentrated its resources in the largest public universities and has guided research activities and fields according to research groups' past excellence; (3) the funding levels of R&D activities in Estonia are low compared to the EU, but are also not sustainable in the longer term as around 60 % of the funding relies on EU Structural Funds; (4) the private sector's performance has been weaker in R&D, which is one of the reasons why the research system is considered to have a low level of local relevance; (5) the RD&I infrastructure does not support openness in terms of entrepreneurship, which is partly due to the fact that corporate demand for the use of RD&I infrastructure is low (Ukrainski, Kanep and Masso 2013).

### Strengths and weaknesses

The Estonian RD&I funding system is mainly based on R&I foundations established by the State such as the Estonian Research Council, the Archimedes Foundation and Enterprise Estonia. Although the current funding system is stable it will need a change. In a public statement on 17 September 2014 by the Evaluation Committee of the Estonian Research Council, the Board of Rectors and the Estonian Academy of Sciences it was considered essential to make a transfer from the present three-level system of institutional and personal research grants and baseline financing to a two-level system, i.e. (1) competition-based project support (grant financing) and (2) evaluation-based institutional baseline financing (ERC 2014).

The main sources of income of the abovementioned foundations, but also of other foundations established by the government, come from the State budget including the funding of EU Structural Funds. This financing situation both a strength and a weakness. Several analyses (Estonian Development Fund 2013, Ukrainski, Kanep and Masso 2013) have emphasised that Estonia cannot rely solely on the State when it comes to R&D investment, as this would not be sustainable. It was also repeatedly stressed in the interviews by the scientists from the radio broadcast 'Falling Apple' that the Estonian R&D funding system is excessively project- and competition-based and the financing is highly dependent on EU Structural Funds. Relying on government funding makes State R&I foundations stable in the short term, but not sustainable in the longer term, when funding from the EU will end. The balance between European Union structural funds and national funding sources has already developed into a serious problem. The resources of Estonia's State budget which are predominantly used for the self-financing of European Union funding do not create flexibility or ensure the sustainability of the financing of R&I. Therefore, it is important to develop the private sector's knowledge and capacity in the area of R&D investment, and to improve cooperation with universities in the area of innovation (Estonian Development Fund 2013).

State foundations support R&I with short-term project funding, and therefore it is difficult to establish new fields that could be of strategic importance for Estonian society (mission-oriented research). The smaller foundations which are grant seeking themselves, and which have modest resources, support interdisciplinary research or operate their own research programs. The funding of this kind of research is short-term project based funding, which often aims to start a project with the expectation that others (funders) will take over.

Going by the results of the EUFORI study the income of R&I foundations is mainly (94.6 %) provided by the government; the share of income from the donations of for-profit corporations makes up only 0.1 % of the total (allocated by sources) income of R&I foundations. The share of corporate donations is very low. This situation is affected by Estonia's tax policy. For corporate donors, the total sum of donations deducted from taxable income may not exceed either 3 % of the sum of the payments made during the year and which are subject to social insurance tax, nor 10 % of the calculated profit of the latest fiscal year.

### **Opportunities and threats**

In the case of financing from the European structural funds for the period 2014-2020, the European Commission recommends increasing the use of financial instruments instead of direct grants. Incubators and seed accelerators have already been supported in Estonia. There are good examples of successful incubators and business accelerators such as the Startup Incubators of science park foundations and the events organised by the Garage48 Foundation. Incubators and accelerators can be a meeting place for private companies and researchers to make the first practical applications of their tests. The experience of this type of R&I foundation and the collaboration between universities and businesses both need more attention and presentation in Estonia and internationally. It is necessary to create an even more stable system and to establish incubators in this particular kind of growth.

The Regional Development Centres (foundations) are looking for ways of developing competences to support the research and innovation of local players (including small enterprises and non-profit organisations). In the current situation of scarce resources in Estonia (which mainly come from the Enterprise Estonia, which also relies on EU Structural Funds), there is a risk that these centres are becoming competitors. The small resources for R&I will also become more fragmented instead of being consolidated.

In Estonia there are several R&I foundations such as science centres which are active in science communication and which aim to introduce science to everyone. These foundations are known, but a lack of stable financing increases the difficulties in expanding their European cooperation.

### 5.3 Recommendations

The Estonian science funding system requires an appropriate balance between competition-based funding and the institutional financing of strategically important fields independent of EU structural funds. This means that foundations supporting R&I should strike a balance between short-term project funding and providing funds for long-term base funding, as well as seeking new sources of income.

It is important to develop the private sector's knowledge and capacity in the area of R&I investments and to involve private businesses as supporters of R&I.

To increase the role of the business sector in raising funds to support R&I, there should be changes in tax policy in terms of encouraging donations. The tax-exempt rate for corporate donations could be raised compared to the current rates.

In supporting innovation, foundations could support the idea of smart specialisation as a way of focusing on growth areas with higher value added. This support could be by means of university-industry collaboration projects, but also through investment in infrastructure. Also, it is necessary to create a more stable system of establishing incubators in specific growth areas and to develop cooperation with Nordic countries and the other Baltic States.

In supporting science communication, science centres are the key players. However, these foundations need more stable financing for further cooperation with (educational) institutions both on a national and European level. Science centres could use their experience and facilities to develop closer cooperation with upper secondary schools to support the teaching of natural science and engineering. Closer links with engineering hobby groups, professional organisations and innovation groups for university students can support the promotion of science among new target groups.

## Acknowledgements

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Finland Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Kjell Herberts  
Paavo Hohti

Research and  
innovation



# **Finland Country Report**

EUFORI Study

**Kjell Herberts**

Åbo Akademi University

**Paavo Hohti**

Council of Finnish Foundations



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# 1 Contextual Background

## 1.1 Historical background

Finland has a very strong philanthropic tradition, which explains the large number of foundations and associations in relation to its population of five million. Citizens' private activities have always been highly valued in the Finnish society. Foundations also play an important role in today's modern society, which is described as the Nordic welfare state. In this kind of society the State has taken over many of the functions of traditional charitable foundations by financing these through taxation.

Foundations were established in Finland from early in the middle ages in connection with the Church, monasteries and parishes. However, we know very little about these. During the 18th and 19th centuries, when Finland was under Swedish, and later under Russian rule, there were some regulations regarding foundations. The largest donations, however, were made to the State as separate funds, i.e. as independent foundations (Ilmanen-Kontuniemi 1977: 13).

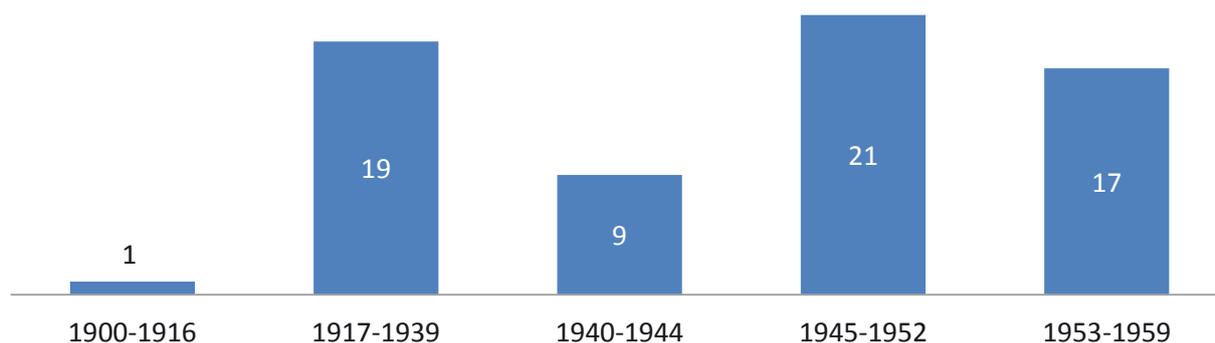
After the declaration of independence of the Republic of Finland in 1917, there was a need for foundation law, and after long and careful preparations the Foundation Law was approved in 1930. This Law, although with some necessary additions and updates, is still valid at the moment of writing. A new Foundation Law is already being drafted to replace the old one in 2015.

Since 1931, the formation of foundations has varied between 20 and 80 new foundations per year. In recent years, the average number has been about 50. By excluding foundations which have ended their activities, there was a total number of 2 834 registered foundations in 2012. The statistical information on Finnish foundations is very scarce, and there is only limited information on some aspects available in addition to the basic list of foundations on the register.

When considering the difference between R&I foundations and foundations supporting R&I, it is clear that there are only a few foundations in Finland which could be labeled as R&I foundations, e.g. university foundations and some other foundations in special research areas. Both of these foundation groups administer their grants in rather similar ways. University foundations differ in the way they make investments in terms of equipment and buildings. It is therefore more relevant to consider foundations supporting research and innovation.

During the first six decades of the 20th century, 67 foundations supporting R&I were established: 1900-1916: 1, 1917-1939: 19, 1940-1944: 9, 1945-1952: 21, 1953-1959: 17. Half of these were based on individual donations or testaments, and the other half were based on donations from corporations and communities or from other sources. (Tiitta 2014: 77) Most of these foundations also supported activities other than R&I. During this time foundations played a crucial role in research financing.

**Figure 1: The establishment of R&I foundations in Finland 1900-1959**



The role of private foundations as main supporters of research began to change in the 1950s, when the State played a stronger part in research financing. Government and political leaders became aware of the importance of higher education and research in creating a modern society. During the 1960s, universities and other higher education institutions expanded to cover almost the whole country. Today, according to the University Law, universities provide the highest academic education based on research. As a result of this process the State has become responsible for financing research, while the foundations play a complementary role (Tiitta 2014).

Private foundations continued financing research projects with the understanding that the State provides the infrastructure for it. The number of foundations supporting R&I has grown constantly. Unfortunately there is no detailed statistical documentation about this growth. Most grantmaking foundations and part of the operating foundations support research in different ways.

## 1.2 The legal and fiscal framework

The Finnish Foundation Law is based on three major principles; supervision, responsibilities of the board and observation of the purpose of the foundation given by the founder. In Finland foundations can be established as private foundations or public foundations by law. To establish a private foundation the founder has to ask permission, which is granted if the purpose of the foundation is useful. Because there is no definition of the word 'useful,' this criterion has only a nominal meaning.

The minimum capital for establishing a foundation is EUR 25 000. The founder can be a private person or a legal person. In principle a foundation is established to last ad perpetuum, but may also be established for a limited time period of time, or it may spend down its capital or merge with another foundation.

Foundations have to be registered with the National Board of Patents and Registration, which is also the supervisory institution. For this supervision foundations have to present their annual reports of activities and annual accounts on time every year. The supervision is focused on ascertaining whether a foundation has used its resources to fulfill its purpose.

If a foundation is created for nonprofit purpose, it is exempt from taxation. There are no lists of these purposes as the nonprofit definition is considered to be very broad, encompassing nearly all sectors of social life. The recognition of nonprofit status is made by the taxation authorities after the submission of each annual income tax return. To maintain this status, a foundation has to provide documentation that it is operating solely and directly for the public good. A tax inspection is also possible. Any irregularities may be sanctioned or corrected by a demand for rectification. In severe cases the foundation may be dissolved. The board of trustees is responsible for the activities of the foundation according to its purpose and the use of its capital. Private persons do not have any tax deductions for donations. Donations of between EUR 850 and EUR 50 000 made by corporations are eligible for a tax deduction. Cross-border donations may also be tax deductible for the donor, but the receiving foundation must be approved by the Finnish tax authorities.

A more detailed description of the legal and fiscal framework of Finnish foundations is included in 'Comparative Highlights of Foundation Laws. The Operating Environment for Foundations in Europe,' published by the European Foundation Centre ([www.efc.be](http://www.efc.be))

### 1.3 The foundation landscape

The foundation register is kept by the National Board of Patents and Registration. At the end of 2012 the Foundation register included, as mentioned previously, 2 384 foundations.

The most recent classification according to foundations' purposes is made up of foundations registered in 2002 after INCPO-typology (Manninen 2005: 25).

**Figure 2. Foundations registered in 2002 according to INCPO-typology.**



The classifications of grantmaking foundations, operating foundations and mixed foundations is not very easily applied to the Finnish foundation landscape. Grantmaking foundations can run their own programs, and operating foundations can give out awards and grants (Manninen 2005: 18; Lagerström 2006: 7-8). At the end of 2012 the total assets of foundations according to the register were around EUR 13 372 000 million. The total expenditure of foundations in 2012 was EUR 2 759 million, of which expenditure on grants was around EUR 350 million.

The foundations' balance sheets provide numbers as book value, which is less than market value. Therefore the total assets of foundations are undervalued. The amount of grants compared to assets may be considered quite low. This is explained partly by the fact that a major proportion of foundations are operative, and have partially different principles in terms of accounting practices.

Grantmaking foundations have established an association, the Council of Finnish Foundations (Säätiöiden ja rahastojen neuvottelukunta ry). This is a common forum for discussion, cooperation and advocacy. In 2012 the 142 member foundations distributed grants totaling EUR 330 million (in 2013 151 members handed out grants totaling EUR 350 million ). All the major grantmaking foundations are members of the Council. The National Board of Patents and Registration has established a discussion forum for foundations and associations.

## 1.4 Research/innovation funding in Finland

Finland has one of the world's highest rates of R&D intensity. In 2012 the total expenditure on R&I&D by the government, the public sector and corporations was more than EUR 6.8 billion. The percentage of spending on R&I&D in 2012 was around 3.5 % of the GDP, a figure exceeded only by Sweden and Denmark within the EU. The most part, EUR 4.7 billion EUR (69 %) is expenditure by corporations, while the rest, EUR 2.1 billion (31 %) is expenditure by universities and the public sector. Expenditure on R&I&D is well above the average within the EU, and gives Finland the title of 'innovation leader,' along with Denmark, Germany and Sweden. ([www.research.fi](http://www.research.fi))

Private foundations play a minor, but not insignificant part in financing R&I. There are no statistics on expenditure; the best guess would be around EUR 300 million as direct grants in addition to the expenditure of operating foundations, for which there is no estimate. Being flexible and unbureaucratic organisations, the value of foundations is much greater than their expenditure.

Finland's strategy, as defined on [www.research.fi](http://www.research.fi) is:

'...to assure sustainable and balanced social and economic development. Significant factors promoting the implementation of the strategy include the high educational level of population, the intensive development and utilisation of information, skills and a vast intellectual capital, as well as close, multilateral cooperation. Crucial here are internationally top-reaching education, and research and innovation activities in fields that are most important to the economy and welfare. It is the function of education, research and innovation policy to promote the implementation of the strategy.'

With this strategy Finland has reached the position of innovation leader, as published by the Innovation Union Scoreboard 2014. This is a result of the fact that Finland is mostly at the top, and clearly above the EU average, in terms of the dimensions and indicators measured in this study.

The most important financing organisations for research and innovation are the Academy of Finland, The Finnish Innovation Fund (SITRA) and The Finnish Funding Agency (TEKES). The Academy of Finland directs

its support (EUR 310 million in 2014) to universities, SITRA (EUR 28 million in 2013) and TEKES (EUR 557 million in 2013) to both universities and corporations. SITRA and TEKES are foundations under public law.

# 2 Data Collection

## 2.1 The identification of foundations supporting R & I

The Finnish National Board of Patents and Registration keeps, according to the legislation, a register with all foundations in Finland. The register includes around 2 400 foundations. There are no detailed classifications for grantmaking or operating foundations, but according to estimations made by the National Board of Patents and Registration and the Council of Finnish foundations, around one in three foundations, or approximately 900 of them support research.

However, it must be kept in mind that the legislation allows voluntary associations to keep their own funds, which is why some even quite large ‘foundations’ are registered as (voluntary) associations and regarded as NGOs. All important funds and foundations are, however, members of the Council of Finnish Foundations, where the most important foundations in this field are found.

The target group for the survey was the 142 members of the Council, as well as the most important foundations in the R&I field outside the Council. As a matter of fact, the most important foundations in Finland are in one or another way connected to higher education, culture and research. Altogether 233 foundations were found as targets for the EUFORI-study.

The questionnaire was translated into both national languages, Finnish and Swedish, and distributed according to the official language of each foundation. An interesting aspect of the profile of foundations in Finland concerns their distribution between linguistic groups. While the Swedish-speaking population constitutes only 5.6 % (about 290 000 people), around 12 % of all foundations, including some of the largest, are monolingual Swedish, strongly committed to supporting culture as well as education and research in the Swedish language in Finland.

## 2.2 The survey

Of the 233 foundations that received the questionnaire, not more than 72 foundations responded (31 %), and 69 of them belonged to the real target group: R&I supportive foundations. The response rate was not satisfactory, but the study covers the most important foundations in the field of R&I, with both small and big foundations represented.

There is a real challenge as some very large dominating foundations dominate the statistical presentations. Smaller foundations, although having a successful output to their target groups, are often in the shadow of the larger foundations with high profiles and visible resources.

The survey was conducted from 20 June to 30 September 2013. The selected months for data collection were not optimal. Many foundations have no activity during the summer season and the smaller founda-

tions do not even have any employees. After several written messages, the research team contacted some of the most important foundations to encourage them to participate, thus increasing the response rate by around ten foundations.

## 2.3 The interviews

The foundations we chose to take a closer look at through informal interviews represent both large national foundations as well as smaller regional ones and foundations with the Swedish minority as their target group. The foundations we selected were the Finnish Cultural Foundation, the Foundation for Economic Education, the Harry Schauman Foundation, the University Foundation of the Ostrobothnia-region and Svenska Folkskolans Vänner. These foundations were selected because we knew that they have innovative and creative profiles.

# 3 Results

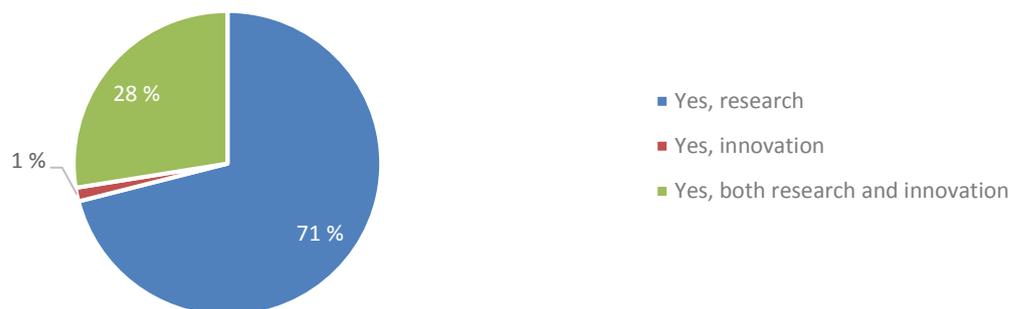
## 3.1 Types of foundation

Most of the Finnish foundations (in this study) focus on support for research only, while 28 % focus on innovation as well. For many foundations, innovation cannot be separated from research as innovation is regarded as an important outcome of research.

Altogether, three foundations in the sample did not support R&I and were not eligible to complete the questionnaire.

Finnish foundations have a history of supporting research while not themselves conducting it, although they are closely connected to the operating/researching bodies.

**Figure 3: Types of foundation according to research and/or innovation.**  
As a percentage of the total number of foundations (N=68)



As relatively independent bodies they therefore regard themselves as grantmaking rather than operating foundations, although they are closely connected to the operating units they support.

In a previous study we found that as a whole Finland has a roughly equal representation of grantmaking and operating foundations. Most foundations established by private individuals tend to be grantmaking, while those established by associations and institutions tend to be operating (Herberts 2001).

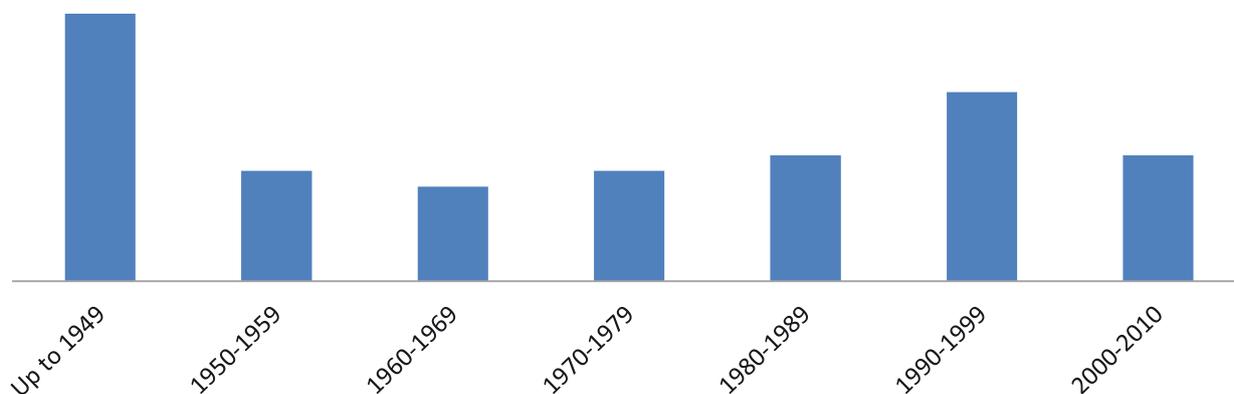
**Figure 4: Types of foundation; grantmaking vs operating.**  
As a percentage of the total number of foundations (N=50)



From 1931 to 1998 a total of 3 340 foundations were registered in Finland. An analysis of the data from the National Board of Patents and Registration revealed an annual average rate of about 50, from a low of 14 in 1943 to a high of 97 in 1998. 568 (or 17 %) of foundations were removed from the register. These were in many cases companies' pension foundations, which since 1955 have been under the supervision of the Ministry of Social Affairs (Herberts 2001).

About one in four foundations in our survey (R&I foundations) was established before 1950. Since then new foundations in this field have been established every decade, with a small peak in the 1990s.

**Figure 5: Types of foundation according to the year of establishment**  
Number of foundations by decade (N=68)



### 3.2 Origins of funds

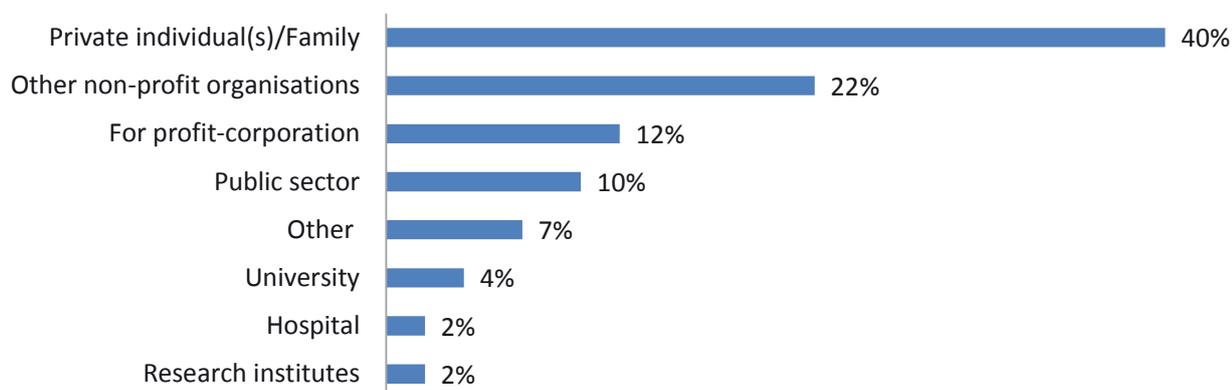
The vast majority of foundations were established by private individuals, families or small interest groups or nonprofit organisations and associations, and very few by the public sector. Many associations have acted more or less as fundraising mass movements to support culture, higher education and research. These movements were a part of the nationalistic political movements in support of the national languages (Finnish and Swedish) and culture just before and after the declaration of independence from Russia in 1917. They played an important role in national identity and self-awareness and in creating the independent Republic.

One of the foundations in our survey declared that 200 000 Finns were founders of their foundation. There are other, similar foundations with very strong human and financial capital. The impact from companies and the public sector has been very marginal. The foundation sector in Finland is to a great degree a part of civic society as NGOs.

### Figure 6: Financial founders

As a percentage of the total number of foundations, multiple answers possible

(N=67)



Other: 200 000 Finns, a municipality, two funds merged into one, an association with three funds and two foundations and a private business school.

The different sizes of the Finnish foundations show a rich variety; there are quite a lot of rather small foundations, while the field is dominated by some very big foundations with high profiles labeling the whole sector. Finns tend to have the impression that foundations are ‘by definition’ big, although the vast majority of foundations are rather modest and small.

### Figure 7: Total income according to category in Euros

As a percentage of the total number of foundations (N=53)

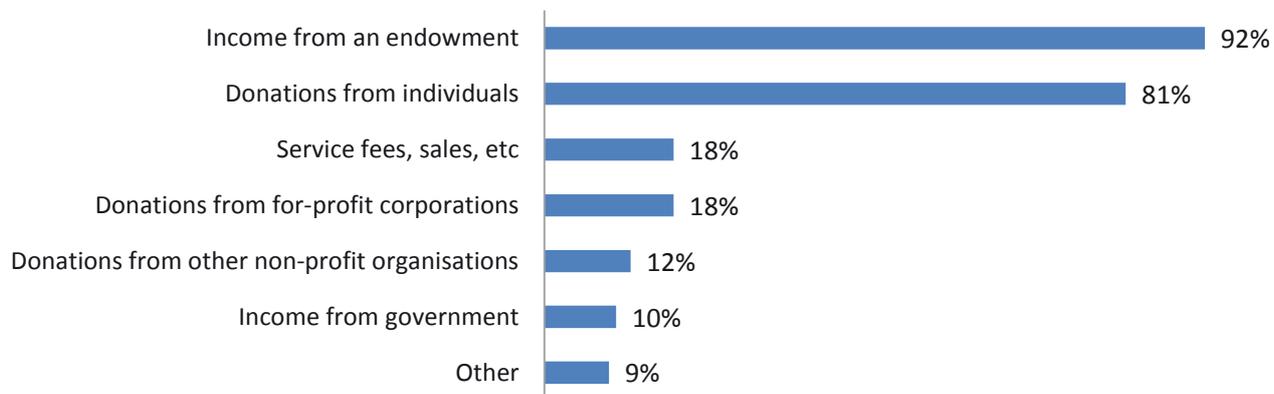


Statistics income	
Number of foundations	53
Mean	3 332 539
Median	461 516
Total income	176 624 572

The sources of income again show that foundations are mostly grantmaking. Most of their income comes from endowments and donations directly from individuals and private wills. There seems to be a quite clear distinction between the private sector and the high taxes governed by the welfare state.

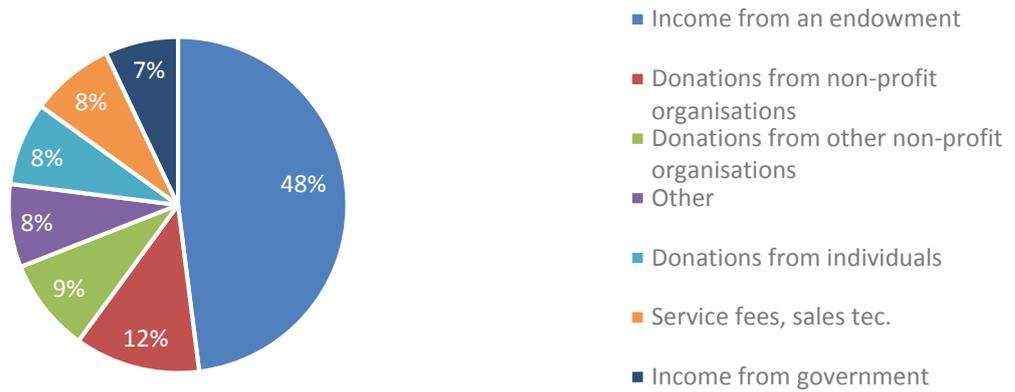
**Figure 8: Sources of income**

As a percentage  
of the total number of foundations (N=67)



The figures from Finland from 2012 show a real peak, because one private donation (a will) of around EUR 700 million had a great impact on the foundations sector's income that particular year. This amount is not included in the tables and figures, because it gives a false impression of a 'normal' year; however, this example also shows that the sector is not static, but rather offers exceptional examples of private initiatives: the Jane and Aatos Erkko Foundation was established in 2002 to support high-level international research, arts and culture. Dr Aatos Erkko, publisher of Helsingin Sanomat (the leading daily newspaper in Finland and the Nordic countries), died in 2012 (and Ms Jane Erkko in 2014). Following the execution of Aatos Erkko's will, there were assets totaling EUR 737 million as a combined market value, mostly shares in the Sanoma publishing house and an investment portfolio in the Asipex Group.

**Figure 9: Sources of Income**  
As a percentage of total income.



Sources of Income	Amount in Euros
Income from an endowment (N=42)	114 504 293
Donations from individuals (N=7) *	11 288 380
Donations from nonprofit corporations (N=10)	425 000
Donations from other nonprofit organisations (N=8)	3 863 015
Income from government (N=7)	2 486 068
Service fees, sales, etc. (N=7)	1 463 600
Other (N=7)	3 813 000
Unknown	38 781 216
<b>Total income 2012</b>	<b>176 624 572</b>

\*The exceptional donation of EUR 700 million in 2012 is not included here

Long-term investments with securities are more or less a rule for the distribution of assets. Finnish foundations have stressed in their codes for ethics that long-term investments and continuity are preferred to short-term investments involving more risks.

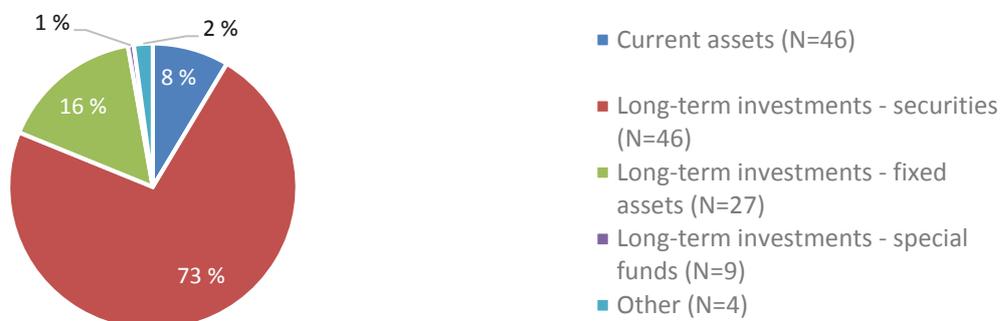
There have been discussions about the targets of investments. Should regional, national and ecological values be taken into account before pure economic or commercial interests? There is of course a freedom of choice, but as whole the investments are quite cautious with long-term dimensions.

**Figure 10: Total assets according to category in Euros 2012**  
As a percentage of the total number of foundations (N=57)



Statistics assets	
Number of foundations	57
Means in Euros	69 438 041
Median	11 000 000
Total assets in Euros	3 957 968 343

**Figure 11: Distribution of assets**  
As a percentage of total (known) assets.



Distribution of assets	Amount in Euros
Current assets (N=46)	291 496 750
Long-term investments – securities (N=46)	2 471 211 269
Long-term investments – fixed assets (N=27)	545 288 739
Long-term investments – special funds (N=9)	22 291 102
Other (N=4)	72 005 170
Unknown	55 567 313
Total assets	3 957 968 343

### 3.3 Expenditure

Most expenditure goes to research, and some 22 % to innovation (although its a question of definition). Around nine out of every ten Euros goes to basic research, while only one out of ten Euros goes to applied research. Other purposes and 'unknown' exceeds 40 %, so the figures should be used carefully.

**Figure 12: Total expenditure according to category in Euros 2012**

As a percentage of the total number of foundations (N=60)



Statistics expenditure	
Number of foundations	60
Mean	2 376 375
Median	410 006
Total expenditure	142 582 537

**Figure 13: Distribution of total expenditure according to research, innovation and/or other purposes.**

As a percentage of total known expenditure (N=56)



Expenditure	Amount in Euros
Research	93 451 515
Innovation	1 732 146
Other purposes	26 927 333
Unknown	20 471 552
<b>Total expenditure</b>	<b>142 582 537</b>

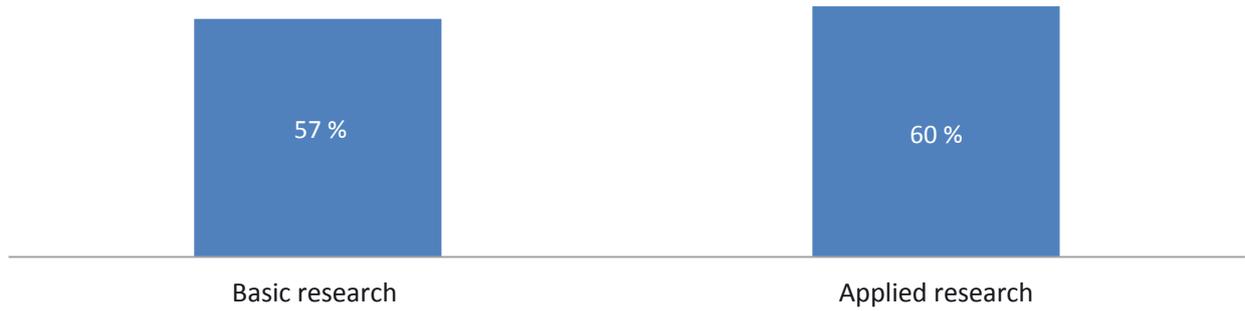
Distribution of expenditure on research	Amount in Euros
Direct research (N=41)	66 030 463
Research related (N=18)	13 170 019
Unknown	14 251 033
<b>Total expenditure on research</b>	<b>93 451 515</b>

More than half of the research-oriented foundations support basic research and less than half applied research. The overlap between the two targets is 17 %.

In terms of amounts of money there is more focus on basic research (48 %), while only 11 % goes to applied research. But it should be noted that as much as 41 % is in the 'unknown' category. It must be kept in mind that foundations seem to trust their target groups without much intervention in the actual content of research activities.

**Figure 14: Distribution of expenditure on research; basic vs applied**

As a percentage of the total number of foundations (N=68)

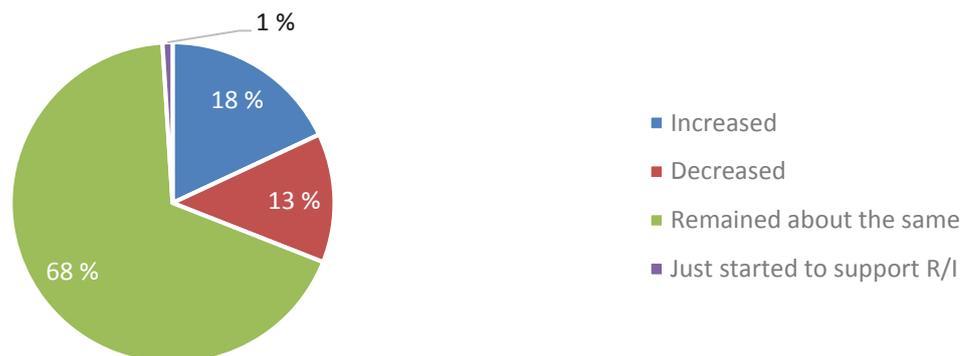


Distribution of expenditure on research; basic vs applied	Amount in Euros	%
Basic research (N=36)	44 902 972	48 %
Applied research (N=35)	10 649 425	11 %
Unknown	37 899 118	41 %
<b>Total expenditure on research</b>	<b>93 451 515</b>	<b>100 %</b>

The amounts have been quite stable, if not with a slightly more increasing than decreasing trend.

**Figure 15. Changes in expenditure on research and innovation compared to the previous year**

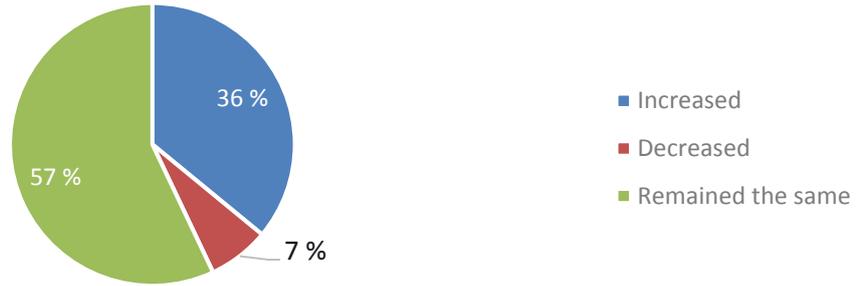
As a percentage of the total number of foundations (N=61)



Foundations are optimistic when it comes to expectations for the following year, a majority expect the same outcome, 36 % expect an increase, while only 7 % fear a decrease.

**Figure 16: Changes in expenditure on research and innovation; expectations for the following year**

As a percentage of the total number of foundations (N=61)

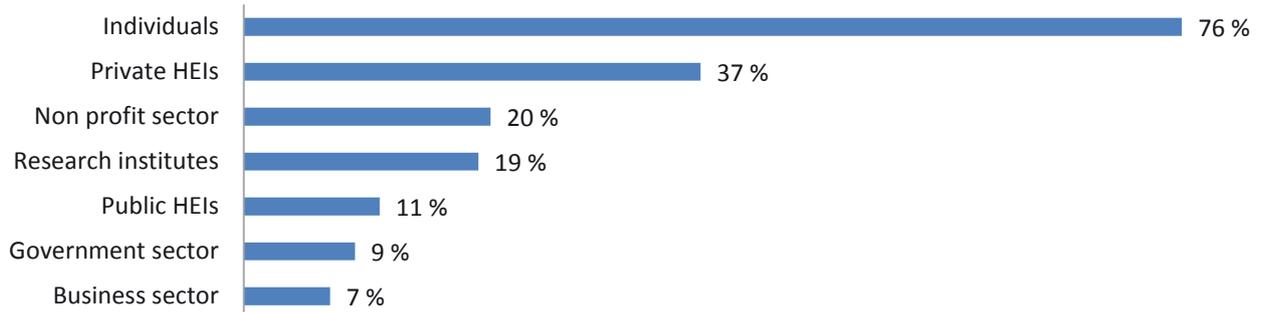


### 3.4 Focus of support

Individuals are the main target group for Finnish foundations according to our survey, because they are quite independent, and only a few are directly connected to certain institutions such as universities. Private HEIs, the nonprofit sector and research institutes are also supported, while the public and private sectors hardly benefit from foundations.

**Figure 17: Beneficiaries**

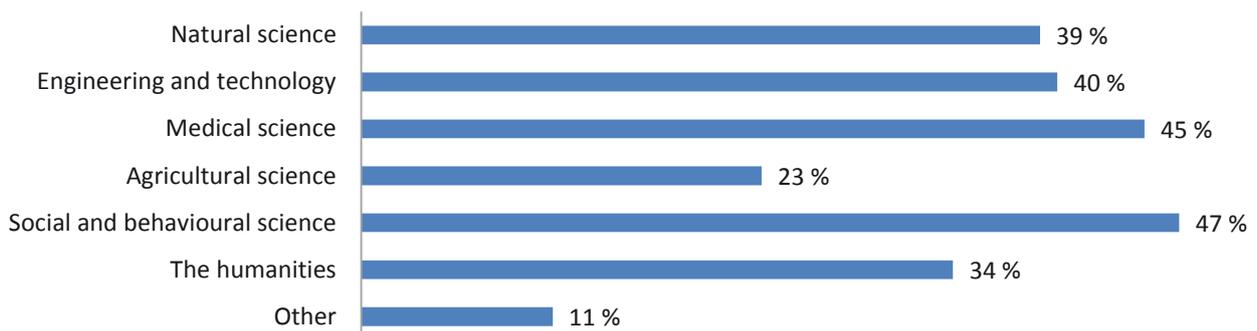
As a percentage of the total number of foundations, multiple answers possible. (N=54)



When it comes to research areas, all five sectors mentioned in the survey are very well represented, with a little more focus on social and behavioural science and medical science than on the humanities and agricultural science.

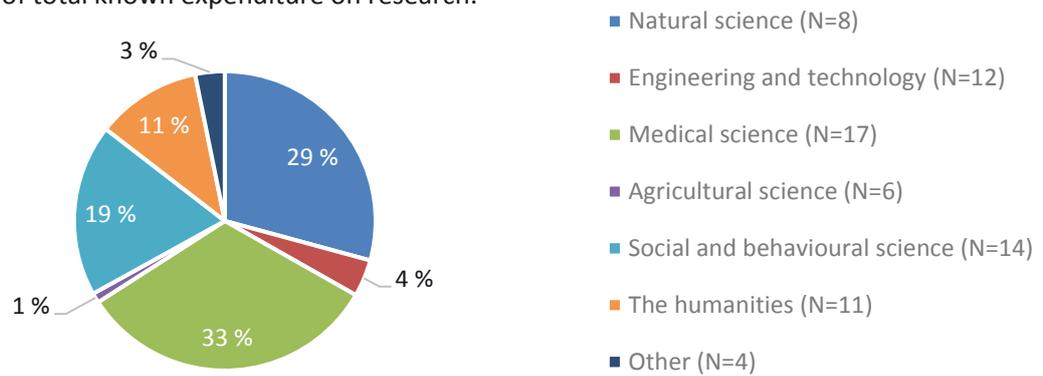
**Figure 18: Areas of research**

As a percentage of foundations, multiple answers possible (N=62)



**Figure 19: Areas of research**

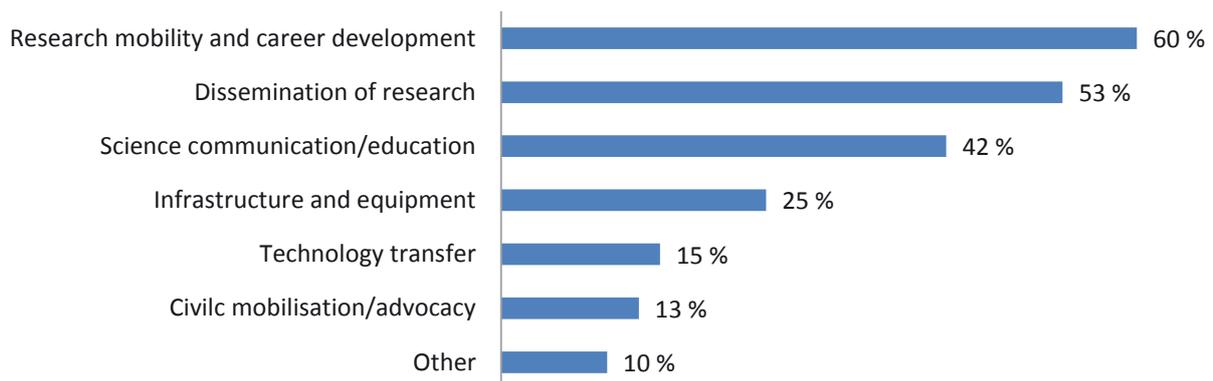
As a percentage of total known expenditure on research.



Expenditure	Amount in Euros
Natural science (N=8)	14 794 155
Engineering and technology (N=12)	2 020 506
Medical science (N=17)	16 490 600
Agricultural science (N=6)	533 706
Social and behavioural science (N=14)	9 410 380
The humanities (N=11)	5 716 173
Other (N=4)	1 601 470
Unknown	42 884 525
<b>Total expenditure on research</b>	<b>93 451 515</b>

**Figure 20: Research-related activities**

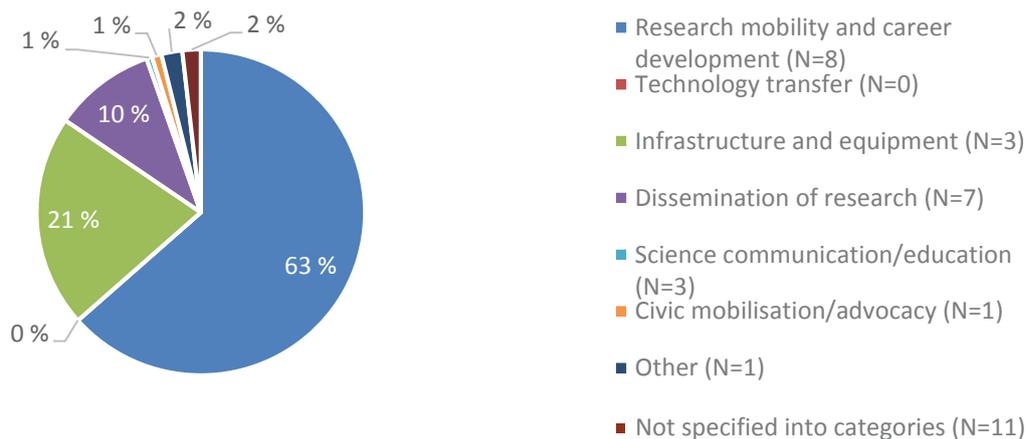
As a percentage of the total number of foundations, multiple answers possible (N=41)



A majority of Finnish foundations stress the importance of research mobility and (especially) career development, as well as the dissemination of research. Amounts as much as 63 % go to career development and research mobility.

**Figure 21: Research-related activities**

As a percentage of total known expenditure on research



Expenditure on research-related activities	Amount in Euros
Research mobility and career development (N=8)	12 332 536
Technology transfer (N=0)	0
Infrastructure and equipment (N=3)	4 100 000
Dissemination of research (N=7)	1 959 573
Science communication/education (N=3)	106 200
Civic mobilisation/advocacy (N=1)	185 000
Other (N=1)	400 000
Not specified (N=1)	351 000
<b>Total expenditure on research-related activities</b>	<b>19 434 309*</b>

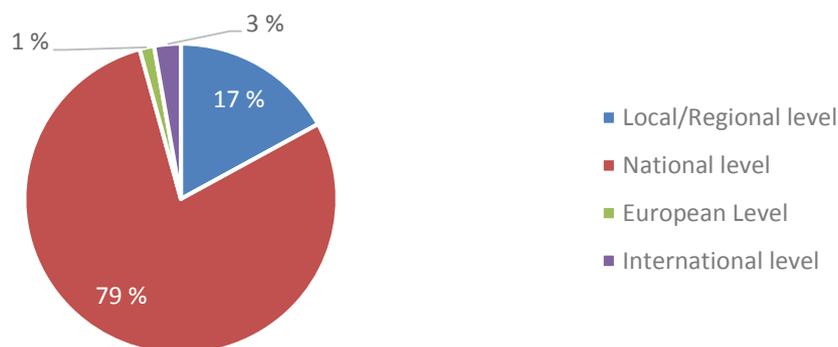
\*Please note, due to omissions in the data, this amount exceeds the previously mentioned amount for research-related activities.

### 3.5 Geographical dimensions

Finland is a small country (with around five million inhabitants), so it is not surprising that the main geographical focus is on a national level, although there are a few regional foundations supporting, for example, regional university units and higher education.

### Figure 22: Geographical focus of support

As a percentage of total (known) expenditure on research and/or innovation (N=52)



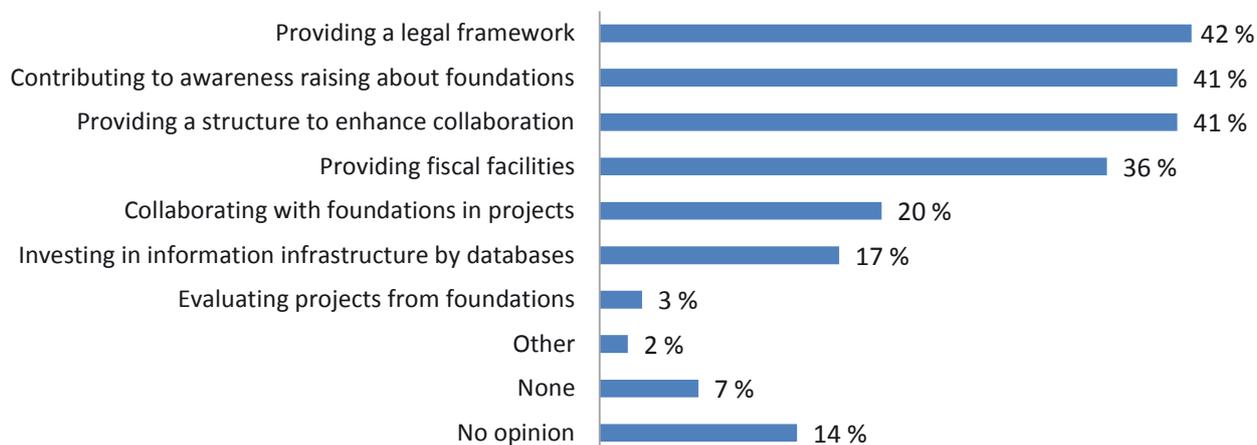
Geographical level	Amounts in Euros
Local/regional level	15 338 436
National level	71 050 385
European Level	2 256 185
International level	2 478 285
Unknown	4 060 370
<b>Total expenditure on research and innovation</b>	<b>95 183 661</b>

The European and international levels are very small. However there are expectations that the European Union should provide a legal framework for the sector by supporting the sector in policy making, creating more awareness and providing structures for collaboration and fiscal facilities. Finnish foundations are not so up to speed on collaborating or evaluating projects.

Finnish foundations emphasise that educational and research issues will contribute to European integration.

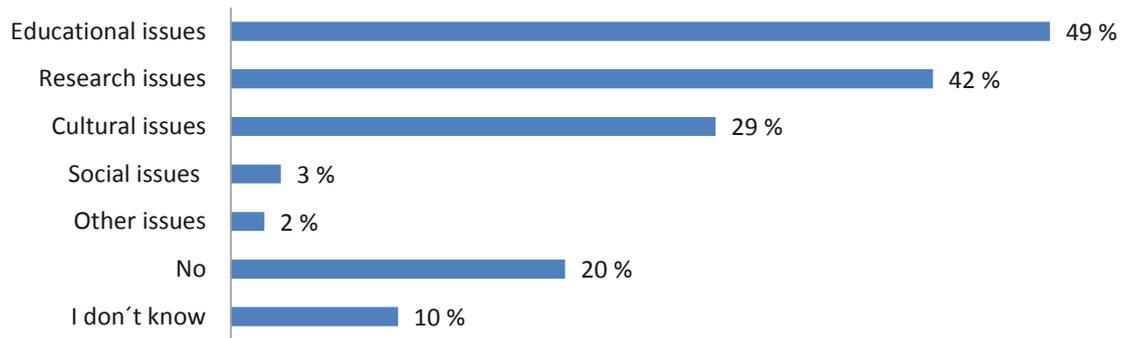
### Figure 23: Role of the European Union

As a percentage of the total number of foundations, multiple answers possible (N=59)



**Figure 24: Contribution to European integration**

As a percentage of the total number of foundations, multiple answers possible (N=59)

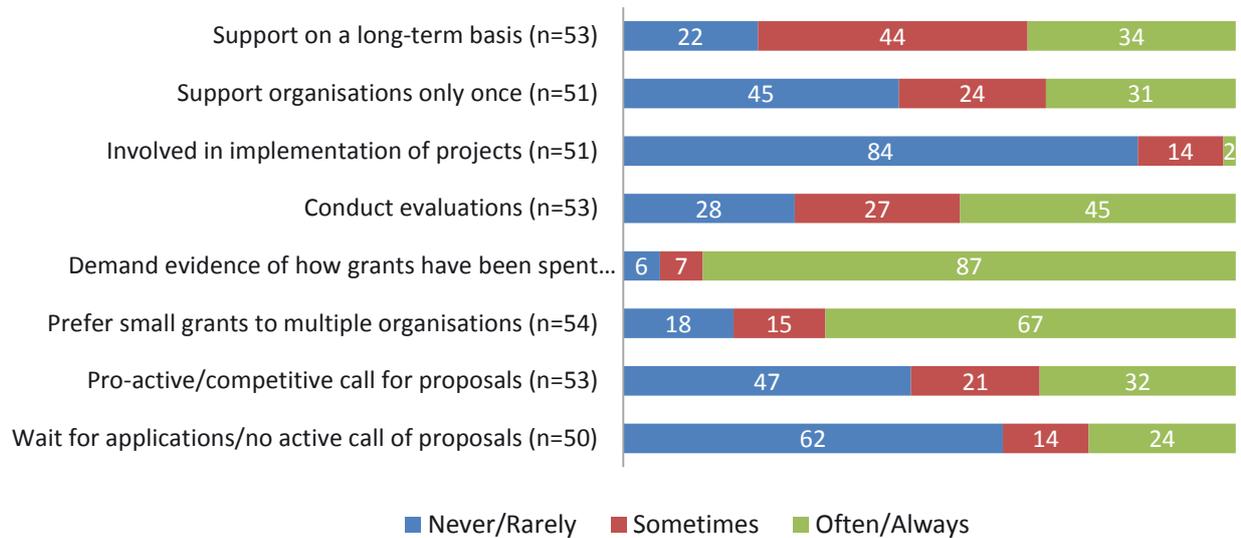


### 3.6 Foundations' operations and practices

Finnish foundations quite often prefer small grants to multiple organisations, but are not so active in calls for proposals. Finnish foundations are thus quite passive and conservative, although they as a rule have a quite tight control over how the grants are used. Finnish foundations are passive supporters rather than active innovators.

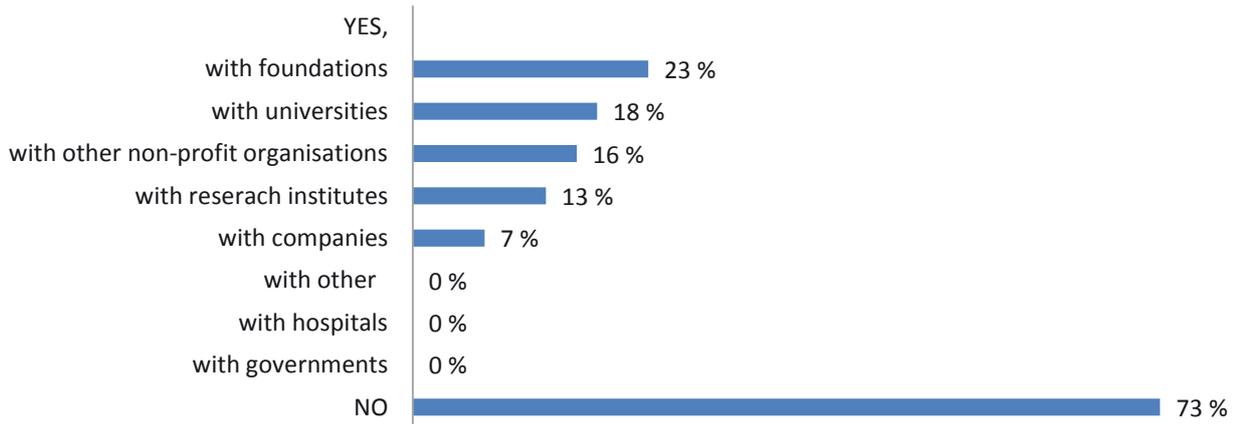
**Figure 25: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations.



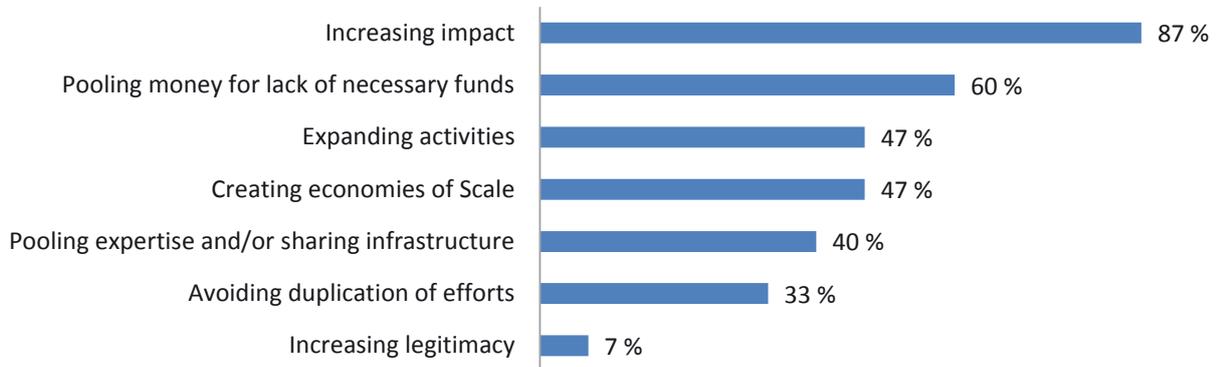
**Figure 26: Partnerships**

As a percentage of foundations, multiple answers possible (N=60)



**Figure 27: Motivation partnerships**

As a percentage of foundations, multiple answers possible (N=15)



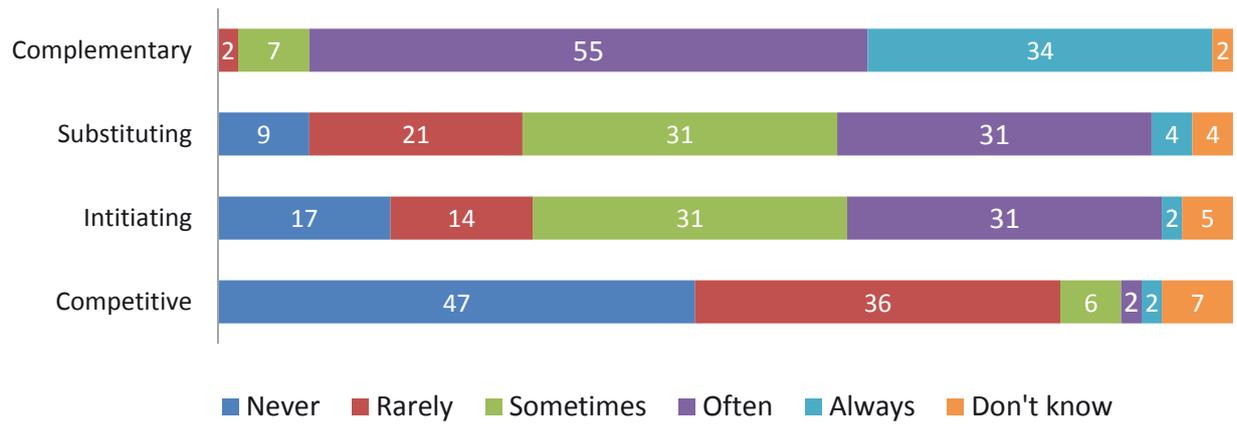
### 3.7 Roles of foundations in the research arena

Finnish foundations seem to play a rather passive or not so active role in the research arena. Most of the foundations in our survey stressed that they above all play a complementary role, and only to a certain degree substitute or initiate roles. The majority claim that they never or rarely play a competitive role.

There is an obvious trend that foundations in Finland support good initiatives with supportive grants, but they do not play a visible role in creative processes. The foundation’s personnel see themselves as fund managers rather than innovators in the field.

### Figure 28: Roles of foundations

As a percentage of the total number of foundations according to role.



# 4 Innovative Examples

Finnish foundations are, as we saw in the previous chapter, quite stable but conservative in fulfilling the will of their founders. They are rather supportive towards traditional research, quite often focusing on the humanities and social/political science rather than innovations in new industrial products, although there are a few excellent examples of exactly the opposite situation.

During our interviews and in our contact with some foundations we found a lot of new policies and innovative steps in fulfilling and developing the scope of foundations. One key word is cooperation.

On a national level the innovation of foundations' practices is created on the basis of cooperation. Eight foundations created a pool of grants for postdoctoral research in 2010. The central idea of the pool is to offer full funding for postdoctoral scholars who go abroad for research purposes after their doctoral dissertation. This funding may also cover, for example, the expenses incurred by the researcher's family when necessary. At the moment 12 foundations are participating the pool, giving it an annual budget of EUR 2.6 million. The pool is administrated by a coordinator under the umbrella of the Council of Finnish Foundations. The grant decisions are made on the basis of an expert review of applications by a board consisting of representatives from the member foundations ([www.postdocpooli.fi](http://www.postdocpooli.fi)).

A similar model was used to create another pool with 15 participating foundations to increase research opportunities for professors. Grants for a research period of 12 months are awarded jointly by the pool and a university. The university is responsible for 55 % of the professors' gross salary, towards which a foundation awards a grant of EUR 27 000. The main reason for establishing the 'Professor Pool' was the concern that Finnish scholars have less and less time for research because of teaching and administrative tasks ([www.professoripooli.fi](http://www.professoripooli.fi)).

During the creation of both pools the role of the Finnish Cultural Foundation was decisive as a producer of ideas and for inspiring cooperation between foundations. A single innovative project of the foundation can be mentioned here; the financing of 'language nests.' Through this activity the foundation supports the survival of endangered minority languages as spoken languages. Starting from three Saami languages spoken in Finland, the project now includes other small Fenno-Ugric languages spoken in Russia. The method of the 'language nest' is based on speaking a language during early childhood at a special kindergarten – a 'nest' – run by a native speaker.

An example of foundations supporting one single area can also be mentioned – Liikesivistysrahasto (the Foundation for Economic Education) – supporting economic research and education. The foundation played a major role in establishing economic research in Finland during the first decades of the last century. With its EUR 22 million contribution, the foundation was one of the main donors in establishing the

Aalto University, which incorporates the former Helsinki Economic University. A special program, SCANCOR, established by the Aalto University and Stanford University, and financed by this foundation, aims at extending education in economics to an international level.

Högskolestiftelsen i Österbotten (the University foundation of the Ostrobothnia-region) is one example of how a fairly small foundation, established in 1990, but with a high profile today, plays an important role at a regional level. This foundation was a result of the work of an interest group supporting higher education and research in Ostrobothnia, a region in the Swedish-speaking part of Finland. In 1990, thanks to a few donors, around EUR 35 000 was raised. Due to a visible profile and active marketing the foundation succeeded, for example, in getting a will from a former pharmacist (Ms Ann-Mari Finnilä) including Nokia shares with a value of more than EUR 9 million, making it possible to fulfill the dreams and goals of the small founding interest group ([www.vasa.abo.fi/hogskolestiftelsen](http://www.vasa.abo.fi/hogskolestiftelsen)). This is a good example of how a small unit by a reliable and professional board can be attractive to new donors. The foundation has played an important role in focusing on new media technologies and supporting, both with ideas and economic support, Media City, a research and development unit in the field of digital content with its main activities in the fields of cross-media content and format development, as well as user experience and audience research. All this is in connection with a Faculty of Education, which otherwise had no economic resources for new input into the traditional education curriculum for teachers.

Another regional foundation is the Harry Schauman Foundation, with annual assets of around EUR 1. Although 70 % (EUR 700 000) goes to an academy for further delivery to higher education and research, the rest (EUR 300.000 €) is used to support independent projects. The foundation has, through the creation and support of a network of other quite small foundations, succeeded in establishing new university units in their region. A professor of energy research, or a regional unit at the Faculty of Law at the University of Helsinki could, thanks to this co-operation, set up and develop a bilingual unit in the region. This is an example of how many small players can create a team and input for research and education.

A third example of a foundation that indirectly supports R&I, but did not participate in the EUFORI-study, is Svenska Folkskolans Vänner, founded in 1882, whose aim is to support basic education and so-called adult learning ('life-long learning'). In 2013 the foundation started a brainstorming web-based project to get ideas and input both from its members and the public. A foundation that has an old-fashioned name, and is regarded by some as actually being old-fashioned, created a policy of transparency. Half of the approximately 2000 comments, ideas, views and experiences that resulted from the enquiry showed that today one can have a dialogue with the members and target groups of different beneficiaries. The outcome of these rather simple steps to openness has been encouraging even for other similar foundations.

# 5 Conclusions

In Finland there have recently been discussions about the role of foundations and the hidden power within this sector. The reason is obvious. Some, though rather small, foundations have not fulfilled their goals, but have given subsidies to their board members and people close to them or the founding families. The whole sector has therefore been in the focus of the media and the public. At the same time the foundation sector has been gaining increasing respect and interest from the public. The importance of foundations has been growing in the light of a shrinking public economy. The expectations from the public as well as from the politicians have been growing and foundations are, when it comes to financial resources, at the top of the NGO-mountain.

From this debate and from the survey, our interviews and our own experiences with the foundation sector in Finland, we want to emphasise the strengths and weaknesses as four dimensions, including some recommendations for each of them: transparency, independence, co-operation and competitiveness.

**Transparency** is today a must in gaining support and understanding from civil society. Some years ago the most influential foundations (the members of the Council of Finnish Foundations) created some codes of ethics. These codes appeal to investments, decision-making, information and other policies in the interest of the public. Although foundations should not be regarded as democratic institutions per se, transparency should be seriously taken into account as an important policy, not least in attracting new donors. Due to the tax exemptions in a community with high tax burdens, such a policy of transparency for this 'privilege' should be a rule.

**Independence** is another key word for Finnish foundations. The public sector dominates research and innovation, as well as the private sector with private companies with certain economic interests. The so-called third sector, with mainly private initiatives and resources, plays today a more important role as a complement to the public and commercial sectors. The resources and impacts of foundations have grown both in real value and in relation to public support. The trust in foundations must be related to support for private initiatives and innovations. If that were not be the case, foundations would not regard themselves as non-independent bodies in the State structure, thus weakening their private initiatives.

More **cooperation** is needed. Finnish foundations are quite traditional when it comes to expenditure, although we can find good examples of innovative foundations. However, one must bear in mind that the statutes are quite often limited to certain geographical regions, the country, certain regions or even municipalities. These limitations do not support European or international cooperation at first glance. Regional or national foundations can, on the other hand, through cooperation, create transnational and transregional projects supporting R&I simultaneously in different parts of Europe. These projects would be in the spirit of the whole idea of the European Union.

**Competiveness** is the fourth challenge for Finnish foundations. Some foundations are quite small and are run by small groups of hopefully enthusiastic voluntary workers with rather limited resources. There is, however, a growing need for more professional board members with different areas of expertise and experience. By creating networks and cooperation they could create qualitative standards, not least by using social media and new technology both for the internal and external work of their foundations. The Council of Finnish Foundations is here an excellent example of setting such standards.

## 5.1 Summary

As we have seen, there is a rich variety of R&I supporting foundations in Finland. It is therefore hard to generalise weaknesses and strengths for the whole sector. The survey also gives very different views and input, and the representativeness of the survey for the whole sector could be questioned.

Nevertheless, the internal strengths are; independence and a passion for the task at hand, resources in capital, while there are big opportunities for more cooperation, visibility, activity and transparency.

Small foundations seem often to be isolated and governed more by traditions and traditionalists than by professional governance (although there are some exceptions) and visions. In a changing and developing community new target groups can be missed in the absence of openness and marketing by the foundations themselves.

Finally, the recommendations could be summarised as follows:

1. More cooperation is needed with similar players on a national level as well on a European level. Small foundations could have a much stronger impact by developing ideas, projects and innovations in cooperation with other players.
2. More transparency. Foundations that do not fulfill their tasks will harm the image of the whole sector.
3. Professional governance and more professionals are needed on different levels. Traditions are strong and important, but can stop the process of development.
4. New target groups could be found without changing the will of the donors. A more open image would in many cases be a key to the future.

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France Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Edith Bruder

Research and  
innovation



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CERPHI – Centre d'Etude et de Recherche sur la Philanthropie



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# 1 Contextual Background

## 1.1 Historical background

This brief historical outline will enable us to gain an understanding of why in France, charitable foundations have been so few in number and so relatively weak when compared to those in place in other industrialised countries. Throughout the Middle Ages, philanthropy in France was developed under the tight control of the Church, either in the form of hospitals or hospices specifically designed to address the needs of the poor and the homeless, or as charitable works provided by monastic institutions, colleges and universities. From very early on, the French monarchs made known their unease concerning this considerable amount of property and land held inalienably, free from any form of taxation by the Crown, and most notably inheritance fees, which became the basis of a form of power beyond the control, either direct or indirect, of the State. Thus, from the eighteenth century onwards, the existence of charitable foundations were subordinate to royal approval. The opposition towards charitable foundations increased during the period of the French Revolution, especially in the context of the open conflict between the Church and State. The State had a monopoly over activities carried out in the interest of the general public. Following this revolutionary upheaval, which was without any kind of equivalent in any other of the European countries, charitable foundations more or less disappeared until the end of the nineteenth century. Only a few charitable foundations of a religious nature continued to exist, having been officially recognised as suitable for serving the public interest under a procedure requiring prior authorisation which had been imposed by the Emperor Napoléon the First.

It was only in the twentieth century, during the 1970s, that the French State began to encourage the idea of creating new charitable foundations, firstly by setting up the Fondation de France, whose mission is to promote philanthropy and to act as an umbrella organisation for individual or corporate foundations. From their inception and throughout their existence up until very recently, in fact, these French foundations have long been subject to government policy and controls.

For a long time the regulations governing foundations have been solely based on the case law provided by the French Council of State and that of the civil courts, whereas for fiscal reasons associations and foundations that were officially recognised as public interest organisations, were considered to be one and the same thing.

The context in which foundations operated in France was characterised by four main factors: first they had to accept advice and submit to controls from the State, second the irreversible nature of their grant, third the long-term sustainability of their activities and finally their mode of governance.

The French system of foundations is still under the influence of practices inherited from the past. To royal authorisation succeeded government agreement; the presence of a government representative on the

Board has for a long time been a guarantee of public interest. Another reason for the small number of French foundations is undoubtedly linked to the success of the nonprofit organisation system under the Law of 1901. (This system has had a considerable development thanks to this Law.)

This dependency and complexity are the main reasons why the numbers of foundations have remained so low, right up to the beginning of the twenty-first century. In 2001, official figures mentioned the existence of barely over a thousand foundations, of which four hundred and seventy-three were recognised as being of public interest, and of those, two thirds were considered to be inactive and five hundred were operating under the aegis of the Fondation de France. With the property and assets they have been given to manage, these foundations have been able to provide services in various sectors such as hospitals, retirement homes, research centres, museums and community centres, as well as financing social projects and awarding scholarships and grants.

However, from the nineteen-nineties, France has adopted a number of important measures when several pieces of legislation were brought in that provided a more precise definition of the legal status and prerogatives of these organisations in order to make their creation and their functioning more accessible. If these foundations which I have just mentioned, have included research and innovation in their remit, it was only in 2004 that the Ministry for Research and Technology provided the impetus for the development of 'Research Foundations' designed to support ambitious scientific research programs by promoting working partnerships between publicly funded research institutions and the private sector. The organisational structure and legal framework of a foundation specifically devoted to research is an extremely recent phenomenon, without any historical precedent and very little available data to go on.

The last twenty years have seen a process of adjustment and opening-up of the characteristics of the foundations. What has this evolution consisted of?

## 1.2 The legal and fiscal framework

This evolution has comprised several phases. Up until 1987, foundations existed almost entirely without any kind of legal status, adopting the form of a local nonprofit making association in spite of the legal obligation of obtaining prior administrative recognition. The Law that came into force on 23 July 1987 dealt with the development of private sponsorship and defined a 'foundation' as 'The act whereby one or more persons – whether they are private individuals or representatives of corporate entities – decide jointly and irrevocably to assign property, rights or resources to the establishing of a nonprofit making charitable foundation devoted to the general public interest.'

Up until the year 1990, foundations were obliged to have at their disposal sufficient grants to allow them to cover their annual budget. This condition was changed in 1990 with the advent of corporate foundations, which were essentially designed as time-limited projects funded by cashflow and not by revenue generated from capital returns.

The year 2003 marked a particularly important step forward: the French Council of State revised the standard regulatory forms of public benefit foundations, while at the same time bringing in legislation that significantly reinforced fiscal incentives in favour of philanthropy. These new forms of regulatory status have allowed them to become more flexible and reactive in the way they operate.

We can sum up these improvements in the regulations as a speeding-up of the process for obtaining official recognition as a public interest organisation; as a relaxation of the rules governing the setting-up of these organisations regarding the matter of choosing to create either an executive board or a supervisory board in conjunction with a management board; as a greater freedom in being able to choose board members; as being able to choose between having representatives of the State as de facto members on the executive board or having a government commissioner acting solely in an advisory capacity; and as an easing of the regulations concerning the level of initial capital required – where the level of this capital is no longer strictly defined and can even be spread out over a ten-year period.

However, even if there is no minimum capital required in the legislation to establish a foundation, in practice the State authorities do set a requirement for public benefit foundations (no minimum for endowment funds.) A starting capital of up to EUR 1 million may be required by the authorities for the foundation to fulfill its purposes.

Nevertheless, the setting-up of a public benefit foundation, a corporate foundation or a scientific research cooperation foundation still remains, in principal, under the control of a competent authority by official decree. Moreover, the presence of representatives of the State as members of management boards of foundations has long been considered a means of guaranteeing and safeguarding the public interest.

However, for corporate foundations from the year 1990 and public benefit foundations from the year 2003, management boards were planned without any kind of representation on behalf of the government whatsoever.

At the same time, significant improvements have been made to the donors' tax regime. The legislation relating to sponsorship was voted in by the French Parliament on 1 August 2003. This brought notable improvements to the tax regime for donors, whether they are private individuals or companies, as well as for officially recognised public interest foundations.

These new advantages consist of:

- The increase and standardisation of tax relief up to sixty per cent (60 %).
- The raising of the ceiling up to twenty per cent (20 %) on income tax for private individuals and point five per cent (0.5 %) of the turnover of donor companies.
- Mitigating the effect of this ceiling by allowing beyond the permitted limit of taxed income or the level of tax on turnover a rescheduling of excess payments over a period of five years.
- Rebates on inheritance tax corresponding to the level of donations given by heirs and legatees to foundations.

- The raising of the tax rebate ceiling to fifty thousand (EUR 50 000) Euros on income earned on assets and capital, with regard to corporation tax.

In 2008 the creation of French endowment funds directly inspired by the UK and American model brought with it a more liberal concept of public benefit and a clear break with the way successive French governments had previously practised their control over this sector. These funds, which are solely dedicated to the management of wealth derived from private philanthropy, are completely free from any form of government supervision. They can be created simply by a declaration lodged at the local government level (that is to say – the prefecture) and there is absolutely no obligation for representatives of the State to be imposed as de facto members of their management structure.

### 1.3 The foundation landscape

According to the statistics of December 2011 provided by the Observatoire de la Fondation de France in partnership with the Centre Français des Fonds et Fondations, there are 2 733 foundations, including endowment funds in France. (The 1 000 foundations that operate under the umbrella of the Institut de France have not been included in this group by the operators, due to the lack of consistent accounting data.)

Since 2001, the number of foundations has increased by 60 % and their assets have gone up by 72 % (Etude Les fonds et fondations en France, Fondation de France, Centre Français des Fondations, 2010). This evolution is directly linked to the increasing numbers of different statutory forms of foundations that have emerged over the last few years. By establishing significant fiscal improvements and the evolution of legal dispositions, the French government supports the emergence of new statutory forms of foundations

Foundations officially recognised as public benefit foundations	617
Corporate foundations	293
Sheltered foundations	901
Foundations for scientific research cooperation	31
Partnership-based foundations	12
University foundations	27
Endowment funds	852
<b>Total foundations and endowment funds</b>	<b>2 733</b>

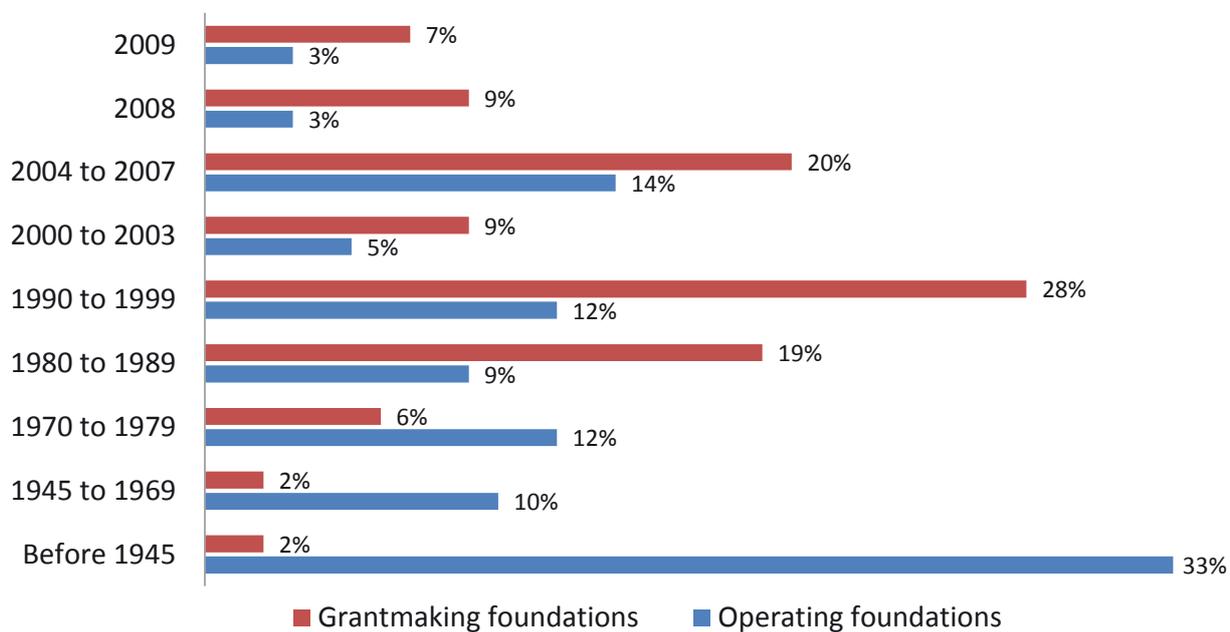
able to complement public actions.

In fact, in spite of its apparent diversity and heterogeneity, the foundation sector in France divides itself onto two main groups: private operating foundations which manage considerable resources coming from grants drawn from public sector budgets, and grantmaking foundations operating on finance from the private sector, which manage money obtained through private donations.

Over the period from the year 2000 up to the year 2010 one can observe the evolution of the sharing out of roles taking place between the various forms of foundations and legal status.

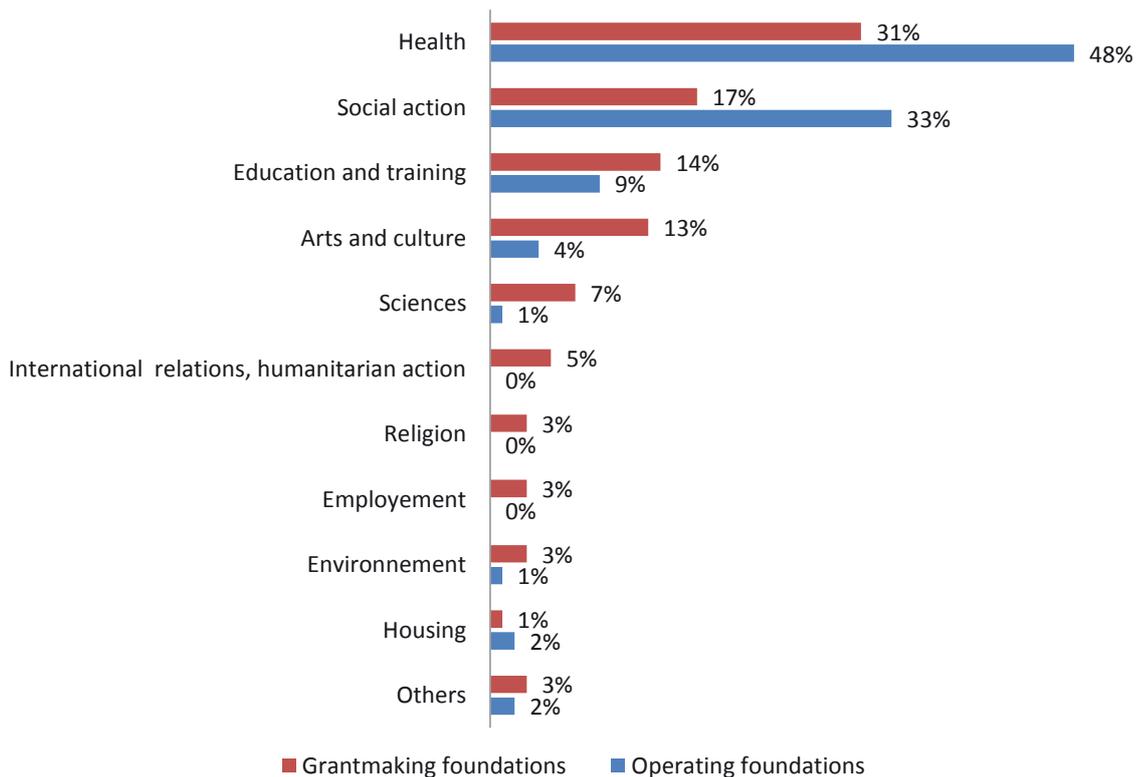
The last accessible key figures are from 2009:

**Figure 1: Distribution of foundations according to their activity and date of creation**



- EUR 4.9 billion of total expenditure (+ 36 % since 2001)
- EUR 14.3 billion of assets (+ 72 % since 2001)
- 59 126 employees (+ 26 % since 2001)

**Figure 2: Breakdown in spending of foundations on the different fields of action according to their main operating procedures**



Sources : Fondation de France et Centre Français des Fondations. Les fonds et fondations en France de 2001 à 2010

Overall, the trend that one notices in the 1980s is consolidation from 2008 onwards in respect of most of the funding foundations created, as compared to the numbers of operating funds.

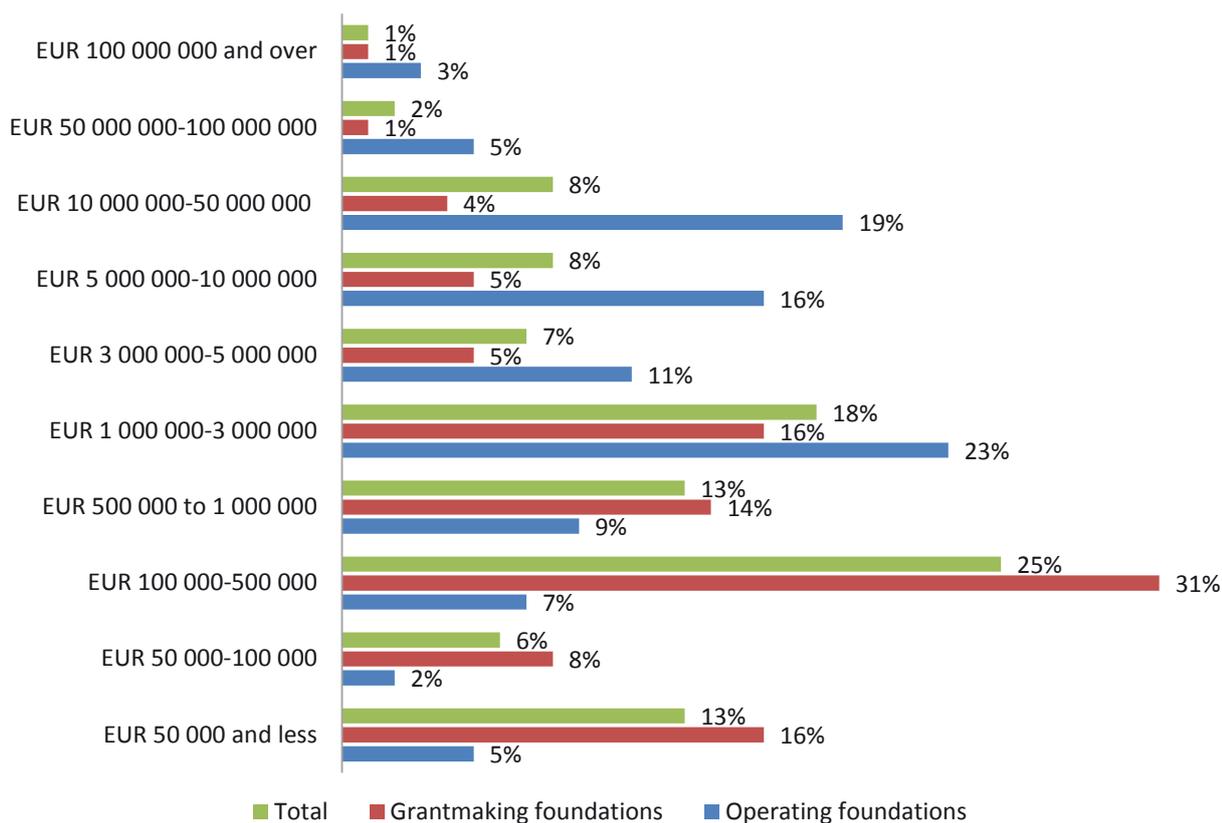
This reveals a strong penetration of this activity by the private sector.

The largest amounts of spending are those in the field of health: these represent 47 % of total spending. Whether the foundations concerned are operating or distributing funds, they all show the same level of spending in this field.

But there is a sharing of roles in the health sector: 24 % of the spending of funding foundations is invested in medical research but only 7.5 % for operating foundations, which dedicate 34 % to health care.

The second most important priority in terms of spending for French foundations is that of social welfare programs, which accounted for up 32 % of total spending in 2008, which can be compared with 24 % in 2001. 9 % of expenditure is dedicated to education and training (+ 6 % since 2001)

**Figure 3: Foundations' assets as percentages of the total number of foundations (by type)**



Operating foundations have the highest assets when compared to funding foundations. 69 % of funding foundations have less than EUR 1 million of assets; 77 % of operating foundations have more than EUR 1 million Euros of assets.

Ever since the implementation of the reforms in 2003, the government has shown its political will in promoting the idea of the 'Research Foundation' in France.

The Ministry which has overall responsibility for scientific research and new technology has sought to give impetus to setting up research foundations, and their development has become a major focus in the context of research and innovation policy. Mrs Claudie Haigneré, the then Minister for Scientific Research and New Technology spelt out the following objectives:

*The policy on research and innovation which I am pursuing seeks to achieve scientific excellence and provide a boost to our system of research. It is also focused on the aim of economic growth, job creation and progress. The expenditure on research should be 3 % of the GDP, of which 2 % will come from the private sector, in order to place France at the forefront of international competition.*

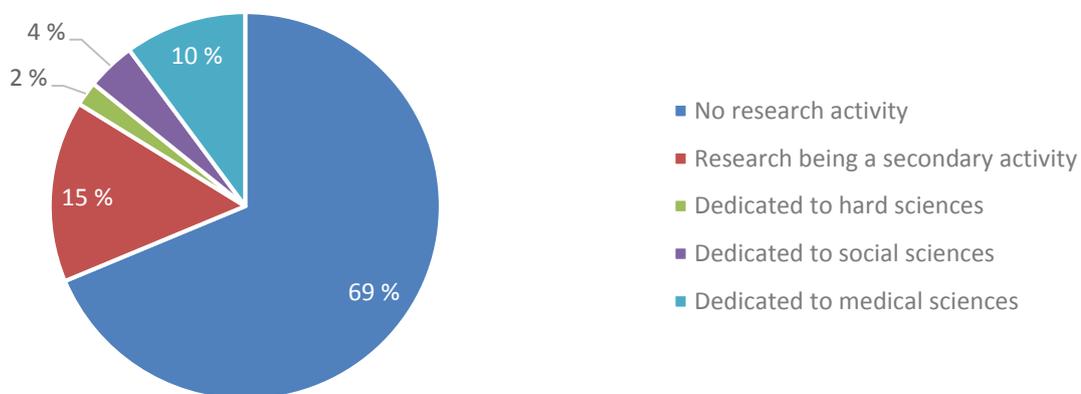
These public interest research foundations, also known as public interest scientific foundations, have at least one of the following aims: to conduct or to promote scientific research, to increase awareness, or to disseminate scientific information or technology. Their means of action can be the financing of research programs either carried out in a public sector laboratory or carried out in the context of a partnership between a public sector laboratory and small or large businesses, after a process of tendering and selection by a scientific committee of experts.

Twenty new foundations were eventually created, with an endowment made from initial public funds subsequently matched with private contributions according to a 1-to-1 principle.

In accordance with standard forms of statutes, these research foundations must have a scientific committee of experts. The Ministry for Scientific Research or the research organisations or higher education establishments themselves are represented on these scientific committees of the foundations. These new standard forms of statutes and this new legislation will apply to all these public interest causes.

31 % of all existing foundations are committed to scientific research, either completely or partly. (Sources: Fondation de France et Centre Français des Fondations. Les fonds et fondations en France de 2001 à 2010)

**Figure 4: Activities of French foundations**



Of this 31 %, 16 % are active in fields at the core of scientific research such as medical research (10 % of foundations), social science (2 % of foundations) and hard science (4 % of foundations). For the remaining half, research is only a secondary activity. One can observe that for the operating foundations, the fields of research that they invest in are similar, if not identical to the field of their main activity. For funding foundations, the wide range of fields that they actively support is quite frequently observed, as well as the fact that they do not seek to build up any particular coherence between these fields, means that at the same time this approach gives these funding foundations their freedom of action and flexibility. Even so,

one can observe that those foundations that invest mainly in the field of health care are more often more involved in aiding research projects than those foundations that are involved with the cultural sector. Among university foundations, one can see that only four foundations out of ten are involved in supporting research projects. One can also see that for funding foundations that support projects in the health sector, one out of two also support research, most of the time in a field that is close to their main field of activity. In contrast, among the operating foundations in the health sector, only one out of seven sets up research projects. Whether they are operating foundations or funding foundations, among those foundations that are active in the cultural sector, only one out of five seeks to develop research activities. Only one funding foundation out of seven specialising in environmental issues funds research, which is a very low proportion. Whether they are distributors of funds or operating foundations, one can say that among the foundations that are active in the fields of child education, social welfare and international solidarity, very few are active in the field of research.

The Fondation de France was set up in 1969, and its mission at first consisted of taking charge of and managing charitable foundations, and secondly of raising funds to promote social innovation. It also plays a role in promoting the foundation sector and in providing a forum for reflection on best practice in the field.

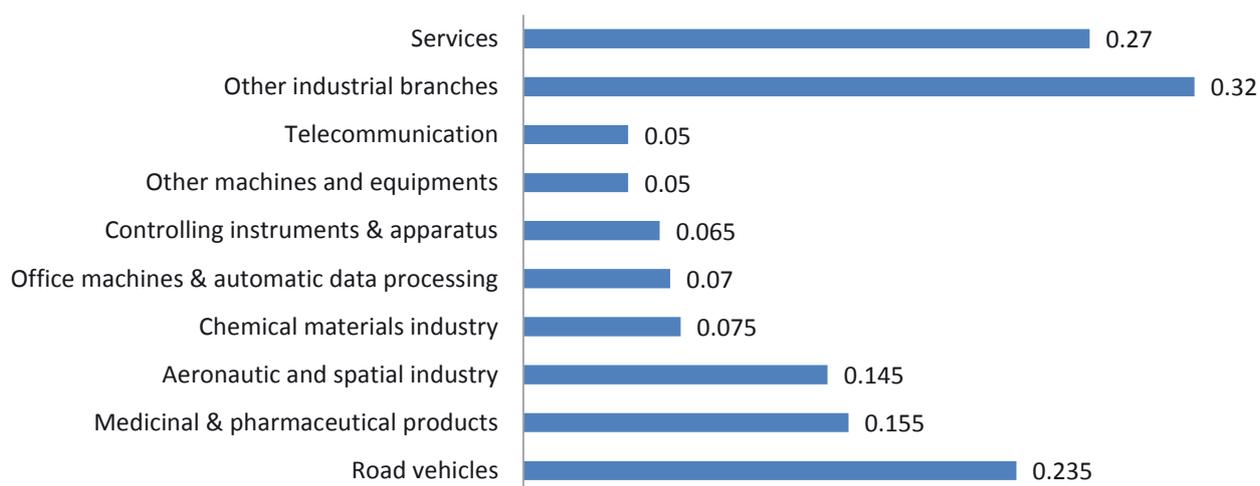
In 1989 La Fondation de France was the co-founder of the European Foundation Centre and proposed in association with EFC a communication service network of foundations and sponsoring companies. EFC is the mouthpiece for charitable foundations when talking to European institutions. It is also a forum for exchanges of opinion, and acts as a catalyst for new projects, which enhances the spread of ethical practice among foundations. In 1998 UNOGEP, also known as France Générosités – an umbrella group representing professional fundraisers – was given the task of promoting philanthropy and of negotiating the conditions under which they operate, such as their fiscal arrangements, their regulatory framework and so on. And lastly, since 2001 the CFF – the French Foundation Centre has provided a platform for information, exchanges of views, and thinking, giving advice and playing a representative role for all the different kinds of foundations that exist today.

## **1.4 Research and innovation funding in France**

The total expenses by the French R&I sector were EUR 45 billion in 2011, i.e. 2.25 % of THE French GDP, 1.44 % for private expenditure and 0.81 % for public expenditure.

In terms of public expenditure, universities and high education establishments represent 0.32 % of the French GDP, administration and public research 0.46 %, and nonprofit organisations (including foundations) 0.03 % (around EUR 600 million).

**Figure 5: Percentage of the GDP spent on R&D by the private sector in 2011**



The above aggregated figures are not available for the public sector.

When compared to other EU Members on innovation performance, France is classified in the second group, as an ‘innovation follower,’ behind the group of ‘innovation leaders’ (Denmark, Finland, Germany and Sweden).

No statistics are available on the size of foundation support for R&I in France.

However, as the creation of R&I foundations is quite recent in France, the size of their R&I investments is still negligible when compared to other sectors.

As it we can see in the above figure, the main targets and priorities of R&D in France are in the automobile, health and aeronautic sectors.

French universities and public research organisations are well integrated into scientific European networks. France’s weaknesses seem to lie in public-private cooperation and in innovation by SMEs.

Since 2005 France has substantially improved its R&I system through new funding and evaluation agencies, such as OSEO (the public evaluation agency for research and higher education) and the creation of ‘competitiveness clusters’ (called Pôles de Compétitivité). These ‘competitiveness clusters’ contribute to developing and strengthening links between SMEs, large firms and government research organisations. These transformations are still unfolding and the positive effects of the reforms on France’s R&I capacity and performance, as well as on the economy at large are expected to grow over time. At the end of 2012 there were 72 clusters with a total of 7 547 enterprises: 95 % SMIs and 5 % others (large enterprises and financial organisations). There was an increase of 261 enterprises involved, including the creation of 120 new enterprises between 2011 and 2012.

France has set a national R&I intensity target for 2020 of 3 %. In 2011, France's R&I intensity was 2.25 %, with an average growth rate over of 1 % over the period 2004-2009, slightly higher than the EU annual average growth over the whole decade.

The priorities fixed by the French government to reach its target by 2020 were developed by 'La stratégie nationale de la recherche.'

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

For the purposes of this report we referred to a survey to collect the data. To establish a list of French foundations supporting R&I we used the general database of the Directory of the Centre Français des Fonds et Fondations, as well as additional information obtained from telephone interviews when the sets of data were found to be incomplete. We also used information available to the general public such as that found on the relevant websites. A preliminary telephone call allowed us to identify the name and position of the person to whom the survey should be sent and to personalise the relationship with the foundation administrators.

180 foundations operating in the R&I sector were selected for the survey – some of them at least partly dedicated to R&I – which represent a large majority of those who practise such activities.

The French R&I foundation sector is nearly fully represented in the survey in terms of size, importance, governance and origin of income. We extended the information to those who are representative of French R&I but who did not answer the questionnaire by using the financial information from their annual reports: Fondation pour la Recherche Médicale, Institut Pasteur and Fondation Jerome Lejeune, with one exception due to a lack of relevant information: Fondation ARC.

Most of them operate in the health sector, which is characteristic of the R&I foundations landscape in France.

## 2.2 The survey

The data for this survey comes from an enquiry carried out in spring 2013 from a questionnaire of 34 questions aimed at all the statutory forms of foundation.

The survey was done online or on paper, and in some cases we used the telephone. 134 foundations received a survey invitation by email accompanied by a letter of endorsement. 28 foundations received a survey invitation by post accompanied by a letter of endorsement. In order to raise the response rates, the person identified as being in charge of the survey was called back to encourage them to take part.

27 foundations (a 15 % response rate) answered the questionnaire representing the diversity of R&I foundations in France: public-interest foundations – some of which are ‘research foundations’ – and corporate foundations. Six foundations only answered Q1 because there was a filter question to eliminate foundations not relevant to the study; 11 answers remained anonymous. We noticed that the response rate for the economic questions dropped to around 8 %.

## 2.3 The interviews

Five detailed interviews were carried out with people in charge of foundations dedicated to R&I. In order to have a more in-depth understanding of the foundations' activities and their impact on research/innovation, we selected the foundations which had answered the questionnaire, with the exception of 'Fondation Altran pour l'Innovation,' which was selected because it is a corporate foundation operating outside the health sector.

These foundations: Fondation René TOURAINE for Research in Dermatology, Fondation INNABIOSANTE, Fondation d'entreprise Adrea, Fondation Altran pour l'Innovation and Fondation Mérieux were selected in order to give a representation of the wide variety and range of foundations which support research and innovation in France.

Fondation René TOURAINE for Research in Dermatology: this foundation of public interest was created in 1991, with an initial endowment of EUR 8.5 million. The sixteen founders were cosmetic and pharmaceutical manufacturers. The foundation's resources is mainly income from endowments, service fees and sales, and public grants. Fondation René Touraine is a typical example of a foundation created by the will and vision of one man who was both a practitioner and a researcher. Its story demonstrates how those who made it work knew how to make it evolve, going from the business of organising scientific events to that of managing networks, becoming a coordinator of networking, and even a service provider.

Fondation INNABIOSANTE: this foundation of public interest created in 2006 was labeled 'Fondation de Recherche' according to the national legislation on the financing of research and innovation. Its funding is both public and private, coming from national and regional organisations. The foundation is dedicated to the development of cooperation in favour of research and industry in the domain of the fight against cancer. Interdisciplinary research projects on new technologies adapted to bioscience, information technology, nanotechnology, biotechnology and radiotherapy techniques are specifically funded by the Foundation, which aims to develop European projects with public and private partnerships.

Fondation d'entreprise Adrea, (Health Insurance): created in 2011, this corporate Foundation is dedicated to activities aiming to improve the quality of life of patients in an unstable situation. As most projects in the social/health domain are dedicated to children, the foundation has chosen to be dedicated to adults. The foundation supports initiatives to improve the professional skills of their beneficiaries, and surveys on health, social or medico-social innovations. The social innovation criterion is always a part of their selection criteria even, if not the only one.

Fondation Altran pour l'Innovation: this foundation is the corporate foundation of Altran Technologies, a consulting group specialising in technological innovation. Created in 1996, Fondation Altran is dedicated to the support of technological innovation for the public interest.

Fondation Mérieux: a family public interest foundation created in 1967, dedicated to the fight against infectious diseases in developing countries that do not control infectious disease epidemiology.

The outlines of the interviews included questions about their governance, their make up, their structure (with or without salaried staff), their future prospects (with or without expendable endowments), and their development since their creation (or example, Fondation Mérieux was originally the Institut Mérieux, whose creation dates back 1867, whereas the Altea Corporate Foundation has only been in existence for the last two years), their budgets, the origin of their income, the way they operate, the scope of their activities (national or international), and the diversity of the support they receive (financing, skills-based sponsorship, having research provided for them etc).

The following points were touched on during the interviews, but one must take into account the fact that these were tailored according to the concerns and preoccupations of the interviewees and to the specific nature of their foundations:

- The historical dimension of the foundation: the founder – his or her motivations, the initial objectives and how these are liable to evolve.
- Significant aspects of the way they operate, their governance, their budget and the sources of their income.
- The main areas in which their work is focused, in research and innovation, the scope of their activity, their success stories.
- Examples of innovation or innovative applications that they thought deserved mentioning in our own research.

# 3 Results

## 3.1 Types of foundation

25 foundations completed the questionnaire; among them 17 are active only in research, seven both in research and innovation, and one only in innovation.

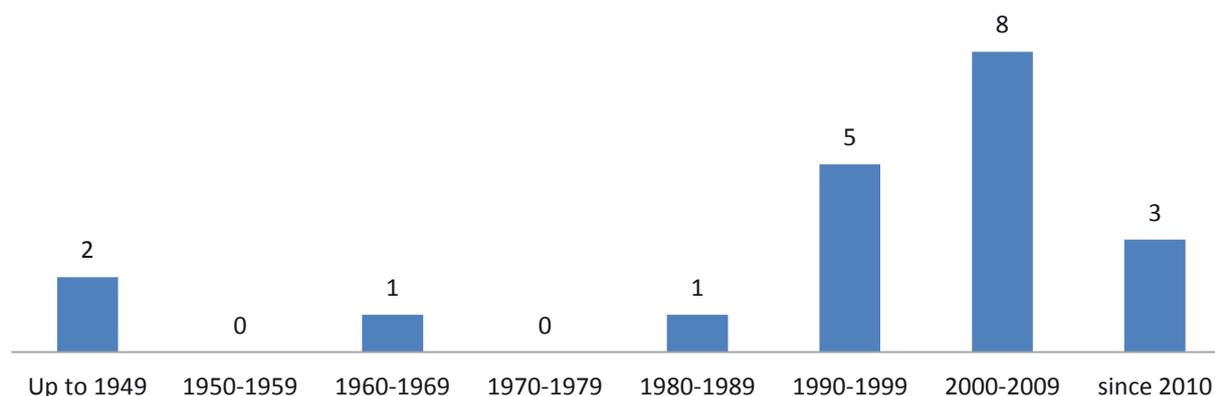
It is clearly apparent that most R&I French foundations are mainly active in research even if some of them are at least partly active in innovation. Regarding the activities of foundations considered in France as non-profit, innovation implying commercial development is often outside their scope. Risks in relation to innovation are not compatible with the demands of respectability and the precautionary principle underlying the foundations' ethical system in France. Research foundations are medical-oriented and are governed by a Board comprising university professors.

Among the 20 Foundations that answered the question about grantmaking vs operating, nine are dedicated to grantmaking. Another three are partially dedicated to grantmaking, and the remaining eight are purely operating foundations.

This accurately reflects the general landscape of foundations in France as described below. Operating foundations are essentially public-benefit foundations and obtain their resources from government grants as well as income accruing from their own activities. Public-benefit foundations, notably those involved in scientific cooperation, support a large majority of the operational type projects. Grantmaking foundations have seen their number grow, mostly due to fiscal incentives. 45 % of grantmaking foundations appeared after 2000; 16 % emerged in 2008 and 2009. The emergence of grantmaking foundations dates back to the 1970s, notably with the creation of the Fondation de France, which operates as an umbrella organisation. The corporate foundation, which came into being in 1990, increased this progression (28 % of funding foundations were set up between 1990 and 1999).

**Figure 6: Types of foundations according to year of establishment**

Number of foundations by decade



It is clearly apparent that the political and fiscal measures adopted by the French government from the beginning of the 1990s stimulated the development of foundations, with a peak corresponding more precisely to the measures taken in 2003. 2005-2010 was a period of innovation, the incubation of new schemes and new initiatives. Since 2008, endowment funds have brought flexibility and helped the creation of smaller foundations.

## 3.2 The origins of funds

### 3.2.1 Financial founders

20 foundations answered this question. These foundations were funded by wealthy individuals/families (six) and for-profit corporations (six). Six of the financial founders were public (universities and the public sector). The remaining two were founded by other nonprofit organisations

Large research foundations are often founded by wealthy industrial tycoons who decide to dedicate a part of their wealth and profits to their foundations.

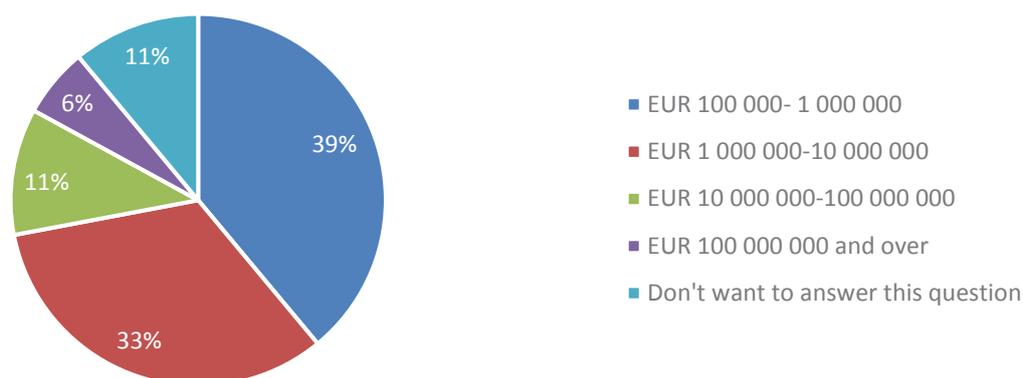
Wealthy families personally affected by illness are also founders of foundations. Due to fiscal incentives, this proportion has increased sharply since 2000.

In the last few decades, scientific cooperation foundations have often been founded by eminent researchers who raised funds from private companies or local administrations.

### 3.2.2 Income

**Figure 7: Total income according to categories in Euros, 2012**

As a percentage of the total number of foundations (N=18)



Statistics on income in Euros	
Number of foundations	16
Mean in Euros	21 409 000
Median in Euros	1 800 000
Total income in Euros	342 543 000

The majority of French R&I foundations are small or medium-sized organisations; 14 of those that answered this question have incomes lower than EUR 10 million Euros. These foundations were mostly recently created; the highest incomes correspond to foundations created before 1990. The increase in this number is linked to the new procedures of the creation of foundations and the development of small-sized foundations.

The sources of income in the sample (N=17) are mainly income from endowments (13) and donations from for-profit corporations (10), followed by donations from other nonprofit organisations (nine), and donations from individuals (nine). Income from the government applies to only six of them, and services and fees make a small contribution (five). Fundraising from individuals and companies are systematic and essential.

Only 11 foundations answered the question about the breakdown of income. For a better understanding we have separated the figures of Institut Pasteur, by far the largest, from the other foundations in the sample:

Institut Pasteur	
Income from endowments	31 300 000 (11%)
Donations from individuals or for-profit corporations	42 600 000 (16%)
Income from the government	63 400 000 (23%)
Fees and sales	128 700 000 (48%)
Other	4 500 000 (2%)
<b>Total income in Euros</b>	<b>270 500 000</b>

Aggregated figures of the ten other foundations in the sample:

Income from endowments	2 163 000 (7 %)
Donations from individuals or for-profit corporations	8 843 000 (31 %)
Donations from for-profit corporations	6 978 000 (24 %)
Donations from other nonprofit organisations	411 000 (1 %)
Income from the government	8 128 150 (29 %)
Fees and sales	824 000 (3 %)
Other	1 610 850 (5 %)
<b>Total</b>	<b>28 958 000</b>

Comparing Institut Pasteur's income, of which fees and sales represent their largest source of income, the other ten foundations have incomes from donations and small incomes from fees and sales due to the fact that most of them were recently created.

The René Touraine Foundation provides a good example of the development of resources by providing private services to corporations, thanks to its online tool. The free online availability in 2005 of the reference work 'Thérapeutique Dermatologique' in French-speaking countries was the first example of a medical book freely available online. The remarkable amount of traffic to this website encouraged the Foundation to translate it into English (work in progress), the main goal being the development of a network of partners becoming a 'permanent online convention.' This online convention is available to all MDs without limitation. The industry has also access to specific payable services in order to ensure additional resources for the Foundation.

This method of functioning could be useful and well-worth developing in other public interest foundations in the French context, characterised by, on one hand a significant reduction in the level of government grants, and on the other an economic downturn which has automatically brought a decrease in income accruing from endowments, which for some foundations constitute an essential part of their funding.

### 3.3.3 Assets

16 foundations answered this question. Three of them did not want to make their figures available. Of the 13 remaining, six have assets between EUR 1 and 10 million, two have assets between EUR 10 and 100 million, two between EUR 100 million and 1 billion, and three have assets smaller than EUR 100 000.

Statistics assets in Euros	
Number of foundations	13
Mean in Euros	60 610 000
Median in Euros	8 000 000
Total assets in Euros	787 950 497

Three respondents did not give a breakdown of their assets (including Institut Pasteur). For the ten foundations answering this question (total assets: EUR 237 843 497), their general inclination is oriented towards secured investments: 50 % of investments are long-term investment-securities, 31 % are long-term investment-fixed assets, 6 % are long-term special funds and other types of investment represent only 2 %. This caution can be understood as a possible consequence of the financial crash of 2008.

## 3.3 Expenditure

### 3.3.1 Total expenditure

For the 15 foundations answering this question, the total expenditure is EUR 366 309 000. The mean value is EUR 24 420 000 and the median is EUR 3 915 000.

The distribution of expenditure is parallel to the distribution of income. Six foundations in the sample have an expenditure of between EUR 1 and 10 million, five between EUR 100,000 and 1 million, two between EUR 10 and 100 million, one more than EUR 100 million and one less than EUR 100 000.

The breakdown of expenditure between research, innovation and other purposes was only provided by 13 foundations. (We have to mention the absence of Institut Pasteur in these results. If Institut Pasteur had been included, the amount on research would have been much higher.) Out of them, from a total of EUR 96 721 112, expenditure on research represented EUR 68 701 793, innovation only EUR 812 200, and other purposes EUR 27 207 119.

13 foundations answered the question on the distribution of expenditure to basic vs applied research. All the foundations in the sample carry out applied research. Eight of them also carry out basic research.

Distribution of expenditure to research; basic vs applied in Euros	
Basic research (N=8)	8 733 680
Applied research (N=13)	59 960 224
Unknown	7 888
<b>Total expenditure on research</b>	<b>68 701 793</b>

### 3.3.2 Research expenditure

13 foundations answered the question about the distribution of expenditure between direct and research-related expenditure.

Direct research vs research-related in Euros	
Direct research (N=10)	53 707 600
Research related (N=11)	5 327 407
Unknown	9 666 786
<b>Total expenditure on research</b>	<b>68 701 793</b>

Direct research represents the majority of expenditure (78 %). Research-related expenditure (12 %) represents only a small part of French R&I foundations' expenditure.

### 3.3.3 Changes in expenditure

Among the 15 foundations answering this question, seven declared an increase in their expenditure in 2012, five declared that they had remained the same, only two declared a decrease, and one had just started to support R&I.

Due to the growth in the foundation sector and the development of existing foundations, French R&I foundations' expenditure is still increasing in spite of the economic downturn.

Concerning the forecast expenditure for the following year, among the 13 foundations answering this question, the majority (seven) expect stability in their expenditure, four still expect an increase, and only two a decrease.

More generally, the level of expenditure is all the more modest when the income of the foundations is provided only by their endowments. To maintain their endowments, including inflation, when their investment performance is around 5 or 6 %, this implies that their research programs cannot exceed more than 2 or 3 % of their expenditure.

## 3.4 Focus of support

### 3.4.1 Beneficiaries

Eight foundations answered the question about beneficiaries. Out of them, seven support public HEIS, seven support research institutes, four support the nonprofit sector, only one supports private HEIs, and one the business sector.

### 3.4.2 Research areas

Out of the 15 foundations answering the question about their research areas, five are involved in natural science, two in engineering and technology, nine in medical science, one in agricultural science, and three in social and behavioural science.

French foundations play a determining role in social innovation even if it does not represent an important part of their funding. ADMICAL – which is the organisation putting together French sponsoring companies – dedicates a specific working group to social innovation. The working group mainly includes foundations that redistribute funding, without operating projects of social innovation themselves. Presently, as mentioned by the Director of Fondation ADREA, the working group studies ‘...the way company sponsorship can support social innovation. As private organisations we are free to make social experimentation possible by providing financial support. When this experimentation gives positive results it will be, in some cases, institutionalised by the government authorities.’

Expenditure breakdown	Amount in Euros
Natural science (N=5)	7 455 500
Engineering and technology (N=2)	3 000 000
Medical science (N=9)	280 673 000
Agricultural science (N=1)	0
Social and behavioural science (N=3)	4 233 916
The humanities (N=0)	0
Others (N=0)	0
<b>Total expenditure on research</b>	<b>295 362 416 *</b>

\*This amount is much smaller than the total amount of expenditure in 3.3.1 due to the fact that only nine foundations gave a geographical breakdown of their expenditures.

Only five foundations provided a breakdown of their expenditure according to the sector of activities, natural and medical science representing a large majority of their expenditure. The figures of Institut Pasteur, one of the largest foundations, being integrated, significantly increase the percentage of medical science.

### 3.4.3 Research-related activities

Ten foundations answered the question about their involvement in research-related activities. Five of them are involved in research mobility and career development, one in technology transfer, seven in infrastructure and equipment, all ten in the dissemination of research, seven in science communication/education, and two in civil mobilisation/advocacy.

Expenditure breakdown	Amount in Euros
Research mobility and career development (N=2)	200 000
Technology transfer (N=1)	1 790,000
Infrastructure and equipment (N=4)	7 223 000
Dissemination of research (N=4)	1 110 000
Science communication/education (N=3)	1 055 000
Civil mobilization/advocacy (N=1)	820,000
Other (N=0)	0
Not specified into categories (N=0)	0
Unknown	0
<b>Total expenditure on research</b>	<b>12 200 000</b>

## 3.5 The geographical dimensions of activities

### 3.5.1 Geographical focus

The foundations in the sample remain generally focused on a local/regional level (48 %), then on a national scale (31 %), but have little international scope (17 %). There remains much to accomplish on the European level (only 4 % of funding). This could be partly explained by the small size of the foundations that answered this question in particular.

#### Geographical distribution of expenditure

Geographical level	Amount in Euros
Local/regional level	11 008 500
National level	14 563 805
European level	1 407 505
International level	13 117 706
<b>Total expenditure</b>	<b>40 097 516*</b>

\*This amount is much smaller than the total amount of expenditure in 3.3.1 due to the fact that only nine foundations gave a geographical breakdown of their expenditures.

### 3.5.2 The role of the European Union

Regarding the opinion of the foundations on what the role of the European Union should be, 13 foundations answered (three had no opinion):

Collaborate with foundations in projects	7
Evaluate projects from foundations	3
Contribute to awareness raising about foundations	8
Invest in an information infrastructure through databases	1
Provide a structure to enhance collaboration	6
Provide fiscal facilities	10
Provide a legal framework	8

So far the EU's role is mainly perceived as to provide 'fiscal facilities' (N=10) or to 'provide a legal framework' (N=8). Beyond this, the EU is seen also as an engaging player that can raise awareness about foundations, or 'collaborate with foundations on projects.'

### 3.5.3 Contribution to European integration

12 foundations answered the question about their contribution to European integration. Two of them admitted they do not contribute. Five foundations said they contribute on educational issues, nine on research issues, one on social issues, one on cultural issues and one on other issues.

Promoting shared participation in projects and access to funding at a European level in order to contribute to European integration, is part of the strategic objectives of Fondation Innabiosanté. Mr Lionel Havion, Financial and Administrative Director of the Foundation specified that:

*In France, we should train researchers to be much more aware of the availability of funding packages for European projects. Research institutes are aware, but many researchers consider that they can find sufficient funds for their research in France and don't necessarily take a look at what's available at the European level. France is very often badly-placed in the rankings when it comes to request funding. We are constantly trying to*

*convince research teams of this and to help them find potential partners abroad in order to reply to calls for European projects, but unfortunately up to now, at this stage we are still trying to educate them to this end.*

## 3.6 Foundations' operations and practices

### 3.6.1 How do grantmaking foundations support research?

Nine foundations answered the question; their behaviour is quite diverse with respect to grantmaking, as shown below;

Our foundation:	never		always		
	1	2	3	4	5
Supports on a long-term basis	2	2	1	2	2
Supports an organisation only once	1	2	2	3	1
Is involved in the implementation of a project which it funds	3	3	2	1	0
Conducts evaluations to assess whether a grant was successful and why	2	1	0	1	5
Demands evidence of how grants have been spent after funded projects have been complete	3	0	0	2	4
Prefers 'small' grants to multiple organisations/individuals over 'large' grants to a few organisations/individuals	1	2	2	3	1
Pro-actively searches for projects (e.g. through competitive calls for proposals)	4	4	1	0	0
Waits for applications from third parties, with no active call for proposals	1	1	1	4	2

### 3.6.2 Engagement in partnerships

Out of the 13 foundations answering the question about partnerships, five answered that they are not involved in partnerships. Out of the other eight involved in partnerships, four are involved in partnerships with other foundations, three with universities, four with hospitals, four with research institutes, three with governments organizations, five with other nonprofit organisations and five with companies.

For six foundations out of the seven that answered this question, these partnerships are primarily sought because they allow the pooling of expertise or increasing impact. Avoiding the duplication of efforts or creating economies of scale do not appear as important motivations.

Pooling expertise and/or sharing infrastructure	6
Increasing impact	6
Expanding activities (internationally or otherwise)	4
Avoiding duplication of effort	1
To increase legitimacy	4
Creating economies of scale	1
Pooling money for lack of necessary funds	5

### 3.7 Foundations roles in the research arena

How would you describe your role in R&I?	never		always		
	1	2	3	4	5
As complementary (additional to public/other support)	0	0	2	6	4
As substituting (instead of/a substitute for public/other support)	1	1	7	3	0
As initiating (aimed to start a project with the expectation that others will take over)	0	1	3	4	4
As competitive (aimed at a rivalry with other initiatives)	2	6	4	0	0

On these grounds, the 12 foundations answering this question rarely conceive themselves as ‘substitutes,’ but always as ‘complementary’ players. Most of them believe they are rather competitive. For example, Professeur Dubertret, President of Fondation Mérieux explains that ‘The main goal of The Genoderma-tose Network is to be a complementary player for the development of a network of partners becoming a permanent online convention.’

# 4 Innovative Examples

Fondation René TOURAINE for Research in Dermatology – Professeur Louis Dubertret MD, PhD, President of the Foundation. <http://www.fondation-r-touraine.org/>

The resources of the foundation consists mainly of income from their endowment, service fees and sales, and punctually public grants. The foundation's assignment is the worldwide development of therapeutics in dermatology: to improve the evaluation of patients' needs, to promote treatment networks in order to improve their care, to develop professional training and education in dermatology, and to encourage clinical and therapeutic research. The President of this international structure aims at the service of the patients: 'Fifteen pharmacological research centres focusing on new medicine to treat psoriasis exist, but there has been no repercussion for the patients, particularly in developing countries. Research must start from the patients' unmet needs and improve.'

The foundation operates mainly through research grants (in favour of European and international networks), by organising high-level scientific conferences and by creating and fostering international pilot networks in order to improve patient care (Genodermatoses Network et Psoriasis International Network -PIN).

The foundation provides two interesting examples of innovating practice. The first one is the creation and fostering of international pilot networks dedicated to the improvement of patient care. The second one provides online references on dermatology in order to facilitate networking and access to knowledge.

1. The creation and fostering of international pilot networks dedicated to the improvement of patient care, for example The Genodermatose Network.

Within this network, medical and paramedical teams collaborate in order to improve the medical and social care of patients suffering from severe and rare genetic skin diseases by developing a patient-centred approach. The foundation operates through physicians' training and the setting up of in-town reference consultations. One of the aims of this project is to bring research and patients closer.

This network was the first to be developed in European, Mediterranean and Middle East countries. 'The aim is that a child born in a village in Bulgaria or Egypt can receive the best medical care.' 'There are many genetic skin diseases around the Mediterranean because of history and consanguinity; they have been the subject of a lot of important biological research that has not always been very beneficial to the patients.' This coordination project has been carried out thanks to the support of Laboratoire Pierre Fabre (a founding member) and to the involvement of Mediterranean and Middle-Eastern dermatologists.

The project obtained the support of the European Union (co-funded within the 'Together Against Genodermatoses' Program – TAG-2007 335, a pilot project for the setting up of European networks for rare diseases).

Since 2013, the project has been supported by the European Academy of Dermatology and Venereology.

2. The free online availability in 2005 of the reference work 'Thérapeutique Dermatologique' in French-speaking countries was the first example of a medical book freely available online. It demonstrated the will of the foundation to develop digital tools for the training of health professionals and the desire to make dermatological knowledge accessible to the public as well. 'This knowledge is available to the patients through patients' associations.'

The remarkable amount of traffic to this website encouraged the Foundation to translate it into English (work in progress), the main goal being the development of a network of partners into a 'permanent on-line convention.' This online convention is available to all MDs without limitation. Industry has access to specific payable services in order to ensure additional resources for the Foundation.

Fondation Innabiosanté. Mr Lionel Havion, Financial and Administrative Director of the foundation. <http://www.innabiosante.fr>

Since 2013, 100 % of the resources of Fondation Innabiosanté have been dedicated to the development of the 'Oncopole' of Toulouse, which is a centre for cancer treatment integrated with a centre for cancer research, combining at the same site researchers, and start-up and industrial companies. Fondation Innabiosanté is a perfect demonstration of how an innovative approach can be put to use in the context of public-private partnerships and projects funded at a European level.

Fondation Innabiosanté was created by taking advantage of the opportunity of the official designation of 'Research Foundation' formulated by the Ministry for Research in 2005 in answer to the need to attract private funding into research, and so to be in a position to be able to meet the objectives set by the Lisbon Strategy (ie: 3 % of the GDP is to be earmarked for research and innovation.) In order to promote the creation of foundations of this type, the ANR (the National Agency for Research) has launched an appeal by committing themselves to contribute one Euro for every Euro that the foundations have raised themselves.

So their endowment funds totaling EUR 21.5 million are provided partly by the five industrial companies who are its co-founders, and partly by the ANR (a government agency). Their income allows them to release funds of around EUR 600 000 per annum. Their operation consists of funding projects, and they have deliberately chosen to fund only a very small number of those which scientifically are at a very high level, as is the funding. From the start they have been pioneers in taking the preferred option of public-private partnerships. The presence of private partners being closely involved in the research process, as well as providing the capacity to carry forward the potential of their findings, is seen as indispensable for taking innovation to the marketplace.

Mr Havion says:

'In 2007 we were the only ones in the field who were promoting public-private partnerships. Since 2010 the ANR Government Agency and INCA, the National Institute for Cancer Research have also launched calls for projects where they have sought to promote interdisciplinary research and public-private partnerships. And now, the various other financial backers of scientific research have included in their range of options calls for projects more or less identical in form to our own.'

Their role also consists of organising the joint financing of projects by funding preparatory work and gathering together the different players needed: '...in order to help to define the ideal project that has to be presented before a committee of experts and the General Investment Commission,'(Mr Havion) and in accompanying the project initiator through the phase of drawing up contracts. Where major financial packages are at stake, help and advice on project management skills may well be needed.

Mr Havion specifies that:

What's really ideal is, of course to be able to co-finance projects, that is to say, to be able to spread the risk and instead of putting a hundred into one single project, you can put two hundred, or one hundred and fifty or even three hundred when there are others involved. We try approach potential co-founders such as Regional Councils or charitable organisations, saying to them – we have a project that we think is worthwhile, it needs this much funding, we are putting in that amount, would you be prepared to fund the rest and how would you go about it? We try to provide help specifically in putting together the funding package and not so much on the scientific content, even though we have the experience and know-how to be able to give pointers to those who are setting up the projects, but above all, we advise on the ways and means of funding.

(Fondation d'entreprise Adrea (Health Insurance). Ms. Claire Lalot, in charge of Communication.

[www.adrea.fr/la-mutuelle-adrea/actualites/nationales/la-vie-d-adria/communications/article/une-fondation-solidaire-et-innovante](http://www.adrea.fr/la-mutuelle-adrea/actualites/nationales/la-vie-d-adria/communications/article/une-fondation-solidaire-et-innovante))

In 2012 and 2013 this Foundation funded 'Les Etats Généraux du Rein' (a general convention on kidney disease). The outcome was a set of concrete and concerted propositions generated by the main stakeholders to take care of the chronic shortage of kidneys for patients and institutions. For the first time, the Convention gathered together a large number of stakeholders to focus on this issue. The Convention looked at the beneficiaries and people directly concerned, so institutions were also invited and participated in the discussions. The conclusions reached by the workshops and the actions that were decided on during the convention, were taken up by the French National Health Agency and by the Local Health Agencies for 2014. Ms Lalot comments that:'I think that it really is an innovation from an organisational and methodological point of view. It results in a proactive project when compared to usual public health policies, and is a driving force. It has allowed the inclusion of this new issue on the agenda of public policies as well.'

Fondation Altran pour l'Innovation. Monsieur Lelievre, Director.

<http://www.altranfoundation.org>

An international prize is awarded annually to a project of technological innovation dedicated to public interest. The winning projects are supported through 'mécénat de compétence' (competence sponsoring) until the industrial realisation of the project by a team of Altran consultants who allow access to all the technology and knowledge in their group.

This original strategy fits with the high level of competence of the engineers working in the group. The foundation selects projects through competitive examination. The winning project – which has at its disposal the technology and knowledge of the group worldwide – is overseen by a team of Altran consultants until its industrial realisation.

Example of support for an innovative project: in 2007 the winner of the prize was Professor José Sahel and his team from the 'Institut de la Vision des Quinze-Vingt' for the development of an artificial retina for patients suffering from degenerative diseases of the retina (1.5 million people). The project was overseen from the conception of the prototype up to the industrial production. 'It is ideal to come in just when as the prototype has been put together, even if it doesn't always work out. In any case the leverage is optimum' says M. Lelievre.

The main challenge for Fondation Altran was to find solutions permitting the industrial production of artificial retinas in order to treat a maximum number of patients. For this goal, around ten Altran consultants worked on the project. After a first diagnosis of the project and a contextual analysis, the Altran consultants worked on the creation of a simulating tool that allowed the study of the implant/neuron link and the definition of the implant's optimal shape. They also carried out the modeling of the complete electrode/neuron system and the experimentation on an in vitro retina. This collaboration resulted in an increase in the international competitiveness of the project and allowed the production of an efficient retina prosthesis for blind people. The collaboration of Fondation Altran with Professor Sahel's team ended up with the launch of the first prosthesis and with a reduction in the duration of the experiments from three months to two weeks. Mr Lelievre adds: 'It was a long-term project, but so brilliant that we could not pass it over.'

*(Fondation Mérieux. Mrs Leticia Lobo-Lupi, Scientific Project Grant Manager,*

[www.fondation-merieux.org](http://www.fondation-merieux.org))

One of the priorities of Fondation Mérieux is to support collaborative research programs in the field of infectious diseases, such as pneumonia and tuberculosis. This allowed in particular the development of 'Pathogen Discoveries,' a worldwide platform for research into biomarkers of tuberculosis co-infections.

# 5 Conclusions

## 5.1 Main conclusions

Since the Middle Ages, foundations in France have traditionally been tightly controlled, supervised and even censored by the State. The legislation was unfavourable for their operations and potential founders were discouraged. This kind of policy showed a remarkable consistency throughout the various Monarchical and Republican regimes that France has known over the centuries. This explains why the number of foundations in general was low until the end of the 20th century. But the recent roll-back of the concept of the Providence State, combined with the rise of initiatives from individual citizens and the acknowledgement by French political leaders of Civil Society's useful contributions to the public good, eventually led to more freedom for foundations and philanthropists, whose numbers grew substantially through the 1990s and 2000s.

It can undoubtedly be affirmed that at the turn of the 20th century, R&I foundations plainly benefitted from this unleashing of private generosity and civic freedom. In particular, their growth was spurred on by the evolution of French universities and research system, which moved from a 100 % publicly-funded realm to a group of partners with interconnected public-private funding. Considering the mixed identity of private funds with a public purpose, one might suggest that R&I foundations played a crucial role in this structural shift.

## 5.2 Strengths and weakness of the R&I foundation sector in France

During their rapid increase, French R&I foundations have been able to rely on a number of strengths while making note of some dreadful weaknesses. Among their advantages, there is the fact that they are primarily funded by wealthy individuals and families, or by for-profit corporations. This proves the increasing ability of private players to take responsibility and address both the lack of public subsidies for certain 'orphan' research issues and 'market failures' (i.e. missing commercial ventures) in these fields.

Another positive factor is the relative diversification of their areas of intervention (medical science, natural science, and social and behavioural science are top of the list), although medical science still holds the lion's share in terms of expenditure (95 %). This overwhelming allocation may be considered a drawback for France, as R&I efforts in a modern society cannot be limited to medical endeavours, however indispensable they may be for its population.

The fact that infrastructure and equipment rank first in terms of levels of funding, could be either viewed as a strength, reflecting a long-term approach, or as a weakness, because less money is currently devoted to technology transfers or to the dissemination of research, where foundations are supposed to hold a ‘comparative advantage’ with respect to the State. Following the same logic, one might wonder why French foundations’ massive spending on research dwarfs their minuscule level of support for innovation (only 1 % of funds).

French R&I foundations are strongly rooted in their own territories, being mostly active at local, regional and national levels. But their little European or international scope is definitely a threat to their legitimacy at times when cross-border partnerships are essential to achieve results, especially in the field of research, which has long been internationalised. There is room for progress in terms of European collaboration with French R&I foundations, which still perceive the EU more as a provider of fiscal facilities and a legal framework, rather than a driving force in partnerships.

An additional strength of French R&I foundations is their careful scrutiny of how their money is spent and what impact it has. Most of them seek to engage in long-term relationships with their beneficiaries, and this trait adds to their stability and rigour.

Although many of them build partnerships with various players, almost half of the respondents recognise they do not engage in partnerships at all. This ‘isolation tendency’ is clearly a potential threat for French R&I foundations.

Fortunately, an opportunity matching that threat is that French R&I foundations rarely conceive themselves as ‘substitutes,’ but always as ‘complementary’ players. Most of them believe they are rather competitive and initiating, which allows for a strong hope of efficiency and achievement.

## 5.3 Recommendations

France has therefore the potential to reap much greater economic benefits from its scientific and technological strengths.

- 1) Considering the above-mentioned tendency of the ‘isolation’ of French R&I foundations, it could be useful to promote formal and informal connections between private corporations, public universities and foundations’ R&I initiatives, through groups and research campuses.
- 2) Considering the dominant approach of French R&I foundations which mainly fund infrastructure and equipment in research, it would certainly be profitable to engage foundations in technology transfers and the dissemination of research, or, to sum up, in ‘research valorisation.’ This could include a commercial basis, provided that this newly generated revenue contributes to their social missions.
- 3) Considering the overall French tendency to separate research from the rest of society’s activities, it may be adequate to create professional inclusiveness in the early stages of a researcher’s career by offering better career opportunities to doctorate holders. Indeed, in terms of human capital for

R&I, the proportion of students pursuing doctoral studies is lower in France than the EU average. The innovation system would benefit from a better promotion of research careers as well as better career opportunities for doctorate holders in the business sector and in the non-academic public sector. With their hybrid identity and operations being half-way between the market and the public sphere, French R&I foundations could effectively contribute to this ambitious goal.

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Germany Country Report

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# 1 Contextual Background

## 1.1 Historical background <sup>[1]</sup>

In Germany, the philanthropic tradition is very strong. In particular, the legal form of foundations has been used for nearly a thousand years to conserve private and especially parochial engagement for the common good. The principle of subsidiarity that stimulates initiatives on a sub-State level became dominant, not least because of the religious and charitable purposes such as hospitals or orphanages that early church foundations pursued, and thus private initiatives became a central part of the welfare production regime. By means of this vehicle, private wealth is permanently dedicated to a (mostly) public benefit purpose defined by the donor.

In the 19th century, this arrangement between the institutional realms of the State, the nonprofit sector and the market became institutionalised in the German system of social benefits provision. In particular, the principle of subsidiarity which structures the cooperation between the different social layers is of utmost importance to understanding the third sector structure in Germany. Only if the lower and more communal societal level cannot fulfill a task (anymore), the next higher or more central level is obliged to step in.

We can distinguish three periods which have been important for the German foundation landscape. First, in the very early (medieval) period, foundations were established mainly in the fields of religious, charitable and health purposes. However, some of the very early foundations already dealt with educational issues as, for example, some of the early universities like the one in Frankfurt still own foundation assets from these times. Thus, the foundations of Halepaghen or the Fugger family were active in this field and provided scholarships.

Second, in the period between roughly 1840 and 1945, the foundation sector grew only slowly on average. In particular, more and more private foundations were founded in the wake of industrialisation and due to the growing accumulation of private wealth. The more modern understanding of foundations has its roots in 19th century legislation, when the status of privately funded foundations became more precisely defined legally. During this period, the foundation sector suffered direly from two periods of hyperinflation, Nazi prosecution and Communism, and was destroyed, with only very few remnants surviving WWII. Third, the period after WWII, and especially after 1980, the sector experienced unprecedented growth. That was the time when the generation that re-built the German economic system after WWII reached the end of its lifetime and handed a part of its wealth back to society. During this period, the vast majority of today's foundations in Germany were established.

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1 For the following see Merai (2009: 37)

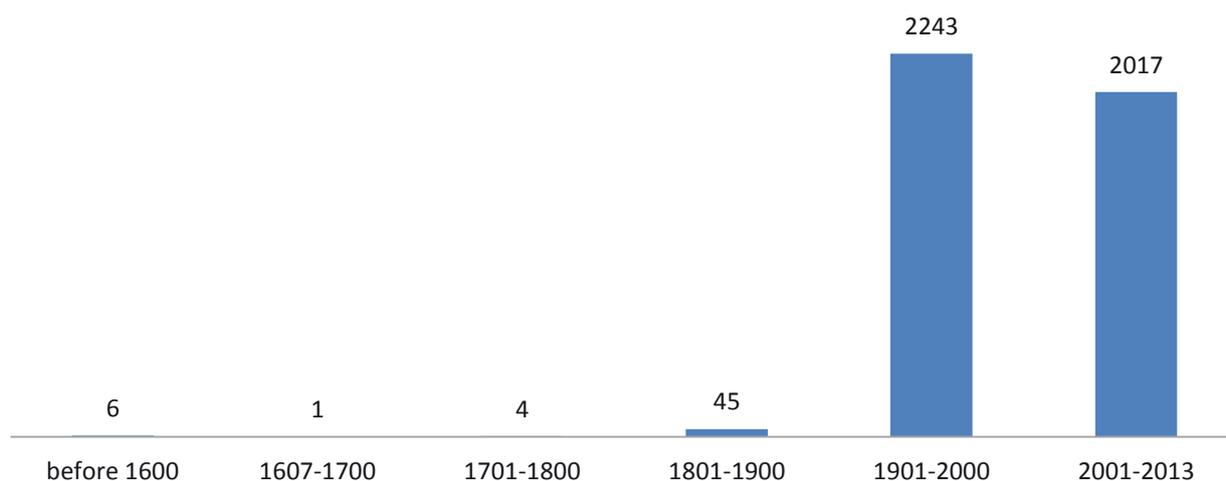
The historic tradition of foundations in the field of research and innovation is as long as the history of foundations itself. From the beginning, foundations have funded educational and scientific purposes. But only in the wake of WWII did the system of foundation-driven research and innovation become institutionalised in its modern form.

The oldest and most widespread form of promoting research through foundations' activities is the granting of scholarships and the funding of temporally limited research projects, as well as introducing new forms of research funding. Later different ways were introduced to engage in the field of research such as funding whole universities, single institutions within universities, other infrastructural programs, single professorships or private thinktanks.

There are no data that depict the historic development of the number of R&I foundations in detail. But the modern system of interconnections between the public, private and philanthropic funding of research and innovation (as shown below) was developed no earlier than the 1950s.

In particular, the large and central players such as the Fritz Thyssen Foundation (1959), the Volkswagen Foundation (1961), the Robert Bosch Stiftung (1964) etc. were established from the late 1950s to the beginning of the 1960s; at the end of the 20th century and the first decade of the new millennium there was a drastic increase in foundation establishments, which seem to abate somewhat after 2010. After the major players were established, the number of foundations engaged in R&I increased in parallel with the general number of foundations. But since very large endowments are still not very frequent, most of the younger foundations are much smaller in terms of assets and expenditure than the 'big fish' that are well institutionalised and an integral part of the German system of research funding. <sup>[2]</sup>

**Figure 1: Number of foundation formed**



[3]

2 See: [http://www.stiftungen.org/uploads/tx\\_templavoila/Stiftungen\\_und\\_Vermoege\\_n\\_2013\\_01.jpg](http://www.stiftungen.org/uploads/tx_templavoila/Stiftungen_und_Vermoege_n_2013_01.jpg)

3 Association of German Foundations (Bundesverband Deutscher Stiftungen)

Looking at formation dates it becomes evident that the bulk of foundations (2 243) were set up between 1901 and 2000. However, only slightly fewer organisations (2 017) were set up in the comparatively short period from 2001-2013. This gives a strong idea of the dynamic increase in the number of research foundations in the last 13 years. Concerning the dates of their formation, for 109 organisations in the ‘population’ no information was available.

## 1.2 The legal and fiscal framework

In Germany, the legal definition of the organisational form ‘foundation’ is not distinct in the Civil Code. Rather it consists of a set of different legal forms, such as the dependent / independent foundation under civil law, public benefit foundations, private benefit foundations, corporate foundations, and gGmbH, a foundation with limited liability or a foundation association, which might be dealt with under private, public or church law. <sup>[4]</sup>

The most common legal form is the ‘Selbständige Stiftung’ (an independent foundation under civil law). This is the classical form of an endowment, which is funded to pursue a specific purpose over a long time. This form makes up the largest part of the ca. 20150 foundations in 2013. <sup>[5]</sup> Despite the lack of a comprehensive legal definition, §§ 80 ff. of the German Civil Code (BGB) governs the basic aspects of this legal form. This is complemented by the central Civil Code by individual State (Länder) laws.

More or less the same organisational challenges apply to all legal forms. These are questions of establishment, regulation and tax treatment. These issues are regulated according to the different legal forms in different sections of organisational and corporate (civil) law with only a very limited body of common regulation.

For the legally responsible foundations, §§ 80-88 BGB governs the main aspects of organisational law, and aspects of supervision and regulation are specified in the laws of the Länder and in terms of taxation, the ‘Abgabenordnung’ (§§ 51-68) is central as it defines purposes that are regarded as being of public benefit, and which in turn are tax exempt. In particular, public benefit Foundations are exempt from several forms of taxation. Income tax is in this concern the most important tax. <sup>[6]</sup> Furthermore, inheritance tax and value added tax are in parts not applicable to foundations. Foundations in Germany are permitted to take part in economic activities as non-mission related activities if the profits are used for the foundations’ purpose and do not exceed EUR 35 000. <sup>[7]</sup>

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4 See: Hopt, K.J., Hippel, T.V. et al. (2009) ‘Feasibility Study on a European Foundation Statute - Final Report’. [http://ec.europa.eu/internal\\_market/company/docs/eufoundation/feasibilitystudy\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/eufoundation/feasibilitystudy_en.pdf), 52ff.

5 See: [http://www.stiftungen.org/fileadmin/bvds/de/Presse/Grafiken\\_\\_Zahlen\\_\\_Daten/2013/Stiftungszahlen\\_Bestand\\_und\\_Errichtung\\_und\\_Dichte\\_2013.pdf](http://www.stiftungen.org/fileadmin/bvds/de/Presse/Grafiken__Zahlen__Daten/2013/Stiftungszahlen_Bestand_und_Errichtung_und_Dichte_2013.pdf)

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## 1.3 The foundation landscape

The Bundesverband Deutscher Stiftungen counted 20 150 foundations in 2013. In terms of assets and expenditure, the foundation sector is highly skewed towards some very large organisations. The 10 biggest foundations incorporate nearly EUR 650 million of expenditure and more than EUR 27 billion of assets. It is important to note that the estimation of the declaration of assets is not standardised. Therefore, the real amount of foundations' assets is probably higher.

For the purpose of this study, we should distinguish between several types of foundations:

- Grantmaking – operative – both
- Research funding as a single issue – one issue among others
- Open – more issue specific funding

Foundations can either be grantmaking, operating <sup>[8]</sup> or both. In contrast to associations, until 2001, the establishment of foundations required the formal consent of the relevant 'Stiftungsbehörde' as a foundation authority. This is known as the concession system, whereby the State grants a foundation the right to establish itself for a set purpose, given a specified and sufficient endowment. The concession system has been controversial since its development in the late 19th century, and, currently under legislative review, is most likely to be abolished. The initial purpose of the system was twofold: to avoid the creation of unviable foundations, and to exercise some political control over their purposes and operations —at least until the middle of the 20th century. A German peculiarity are 'political foundations,' which form a kind of legal roof for the educational and international activities of political parties. With the exception of the Social Democrat Friedrich-Ebert-Foundation (created in 1925), they are a product of post-WWII to assist political parties in creating a democratic culture of political debate and participation in Germany. Even though they are called foundations, they are associations in terms of legal form (except the Friedrich Naumann Foundation), mainly financed by public funds, and have no significant endowment at their disposal.

In addition to this basic differentiation, foundations could be sorted by the way they pursue their R&I goals. This could be one among other foundation purposes, or the single issue the foundation is working on: in a non-weighted chart the Bundesverband Deutscher Stiftungen listed 3 890 German foundations focusing on R&I as their foundation purpose; this accounts for 12.6%. <sup>[9]</sup> According to these data, R&I ranks fifth among the possible foundation purposes. First place goes to social purposes, followed by education and culture.

As most R&I promoting foundations are independent organisations, there exists no German umbrella organisation or advocacy group. However, within the Stifterverband there is a working group entitled 'science and research.' In its annual meeting the members, together with representatives from research

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8 The Bundesverband Deutscher Stiftungen counts 61 % grantmaking, 19 % operative and 20 % both of all foundations. See: Bundesverband Deutscher Stiftungen (2011: 109).

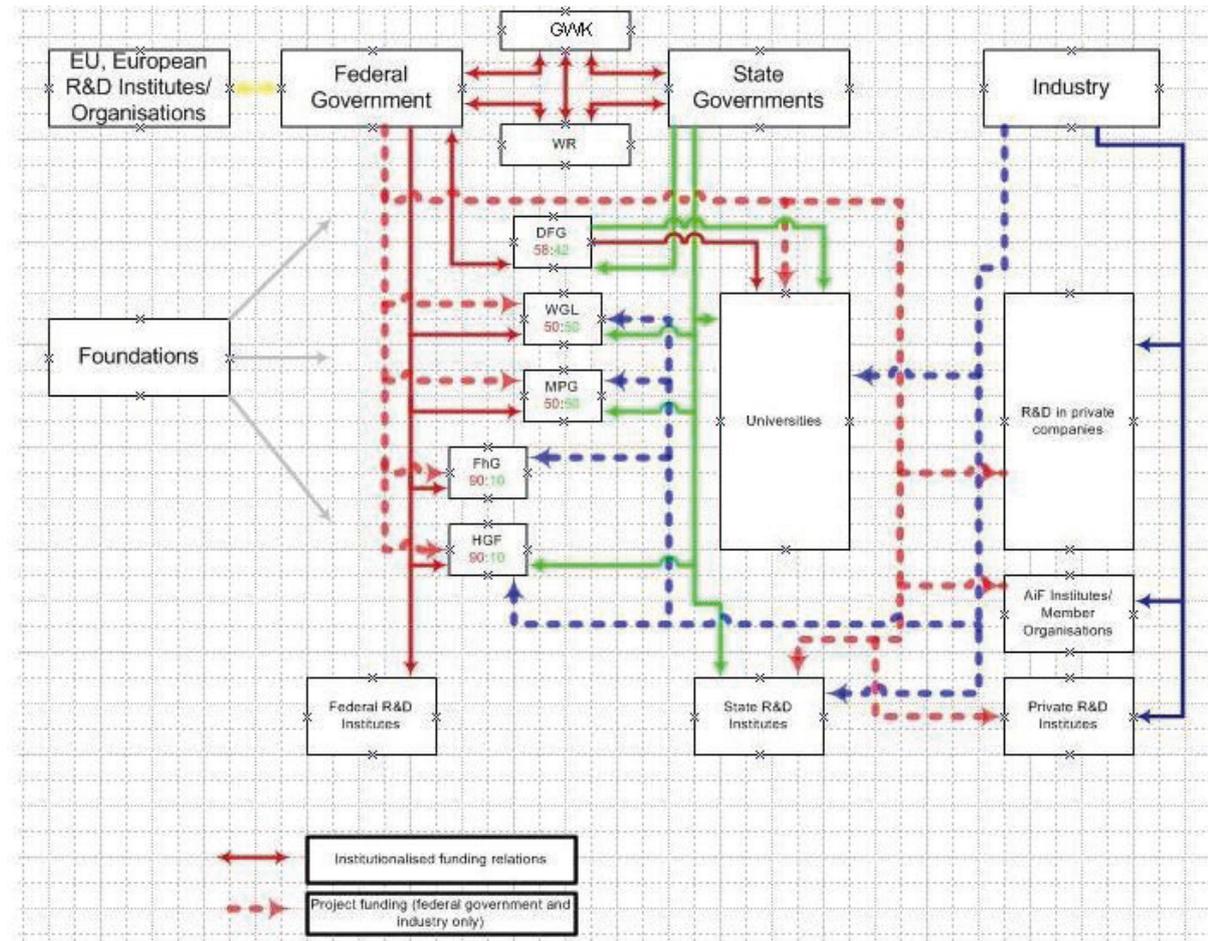
9 See: [http://www.stiftungen.org/fileadmin/bvds/de/Forschung\\_und\\_Statistik/Statistik\\_2014/ungewichtete\\_Verteilung\\_Stiftungszweckhauptgruppen.pdf](http://www.stiftungen.org/fileadmin/bvds/de/Forschung_und_Statistik/Statistik_2014/ungewichtete_Verteilung_Stiftungszweckhauptgruppen.pdf)

funding foundations, discuss actual topics and issues. In 2014 the working group published a draft on 'Principles of good promoting practices for research funding foundations.' [10]

## 1.4 Research/innovation funding in Germany [11]

The system of R&I funding in Germany is rather complex. This is due to the federal structure of public bodies in Germany in addition to the manifold connections between the public, private and quasi-public players in this field. This results in the rather complex and interwoven structure of the research and innovation system in Germany.

Figure 2: The system of R&I funding in Germany



Source:

[http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country\\_pages/de/country?section=ResearchFunders&subsection=FundingFlows](http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/de/country?section=ResearchFunders&subsection=FundingFlows)

The main arenas of R&I activities are universities, universities of applied sciences, other public or quasi-public institutions (particularly the Max Planck Society for the Advancement of Science, the Helmholtz Association of German Research Centres, the Leibniz Association and the Fraunhofer Society) and business institutions. The latter concentrate mostly on applied research and development.

10 See: <http://www.stiftungen.org/de/veranstaltungen/arbeitskreise-und-foren/ak-wissenschaft-und-forschung/bonn-2014.html>

11 See: Lengwiler (2010).

There are complementary structures of institutional and project-related funding that involve the central government level (the Federal Ministry of Education and Research, the Federal Ministry for Economic Affairs and Energy, as well as the Ministry of Defense), as well as the level of the Länder, businesses and other private players (such as foundations).

Germany approximates its annual spending on R&I with the goal of 3 % of the GDP. The total sum spent on R&I in the last year was nearly \$US 100 billion. The table below compares German R&I expenditure with other countries, also showing where the money comes from and who uses it.

**Table 1: Gross domestic expenditure on R&D by financing and performing sector for selected OECD-countries in 2011** <sup>[12]</sup>

Country	R&D expenditure		Financed (%)			Research done (%)			
	Total <sup>2)</sup>	% of GDP	Economy	State	Other domestic and international sources	Economy	State	Universities <sup>3)</sup>	PNP-Sector <sup>4)</sup>
Germany	96 972	2.89	65.6	29.8	4.5	67.7	14.5	17.8	y
Finland	7 898	3.8	67	25	8	70.5	8.8	20	0.7
France	53 311	2.25	55	35.4	9,6	63.9	13.9	21	1.2
Italy	25 781	1.25	45.1	41.9	13	54.6	13.4	28.6	3.3
Sweden	13 366	3.39	57.3	27.7	15	68.8	4.3	26.5	0.3
UK	39 217	1.78	46	30.5	23.7	63.6	8.6	26	1.8
Japan	148 389	3.38	77	16.4	7.1	77	8.4	13.2	1.5
Canada	24 757	1.74	48	34.8	17.2	52	9.7	37.9	0.4
Korea	58 380	4.04	73.7	24.9	1.4	76.5	11.7	10.1	1.6
USA	42 143	2.76	58.6	31.2	10.2	68.5	12.7	14.6	4.3

By far the largest share of R&I funding is raised by businesses (65.6 % in 2011), followed by public funding (29.8 %) and other sources, which include foreign funding and other domestic private sources such as foundations (4.5 %).

The overall amount of funding that foundations contribute to R&I is about 1 % of total R&I spending, and therewith not very impressive. Nevertheless, foundations are considered to fulfill some functions of major importance in the German R&I system. These are complementarity and innovation.

As will be discussed below in more detail, foundations achieve an impact on R&I funding above and beyond their expected influence in relation to their financial contribution.

12 BMBF 2014: Bundesbericht Forschung und Innovation (2014: 529-530)

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

Reliable, quantitative information needed to map the German foundation sector in the field of research and innovation is scarce, as no compulsory registration for foundations exists. The shortage of information affects the formation and growth of foundations, not only in sheer numbers, but also in terms of research funding. Therefore, an improvement in the quantitative knowledge base about foundations is an important goal. To this aim we collaborated with the Association of German Foundations (Bundesverband Deutscher Stiftungen) to benefit from their register of German research foundations. The Association publishes regularly about the size and development of foundations in Germany, and is thus a natural partner in mapping research foundations. However, as the Association also relies on surveys drawn from their database for their own publications, there was some rivalry between the EUFORI survey and their own survey. To avoid disrupting the Association's survey we agreed on a single posting of the EUFORI survey, i.e. it was not possible to send out the short version survey to increase the response rate. Nevertheless, the possibility of benefitting from the Association's huge address pool of the relevant foundations outweighed these possible disadvantages.

A principal problem of drawing a sample of research foundations in Germany is that the underlying population is unknown. This makes it difficult to assign weights to certain observations and to draw a 'representative' inference from the descriptive sample statistics. Using the database of the Association of German Foundations we tried to approximate what could define a 'population' of foundations operating in the field of innovation and research. To this end, all the foundations in the database of the Association stored with an email address were browsed according to the following criteria:

- Foundations with the following missions: science and research, social science and the humanities, medicine or natural science.
- All foundations with the keywords 'forsch' (word component of the German word 'Forschung,' i.e. research), 'innov' (word component of the German word 'Innovation,' analogous to innovation in English) and 'wissensch' (word component of the German word 'Wissenschaft,' i.e. science) in the mission of the foundation.
- All the foundations that indicated either a sponsorship of scientific institutions or individual scientists.

This search process resulted in a (presumed) population of 4 425 foundations, to whom the survey was sent out. Based on the information in the Association's database we were able to get information about (parts) of our population of foundations active in research and innovation concerning their legal status, their formation, their assets, their expenditure and their principal purpose.

## 2.2 The survey

As mentioned earlier, knowledge about the market of German research foundations is limited due to a lack of data. Unfortunately, with the current survey the situation will only get slightly better as it had a very low response rate. Overall, only 214 foundations out of the 4 425 organisations in the (presumed) population provided answers to the questionnaire. <sup>[13]</sup> Furthermore, the response rate varied considerably between different questions. In sum, our target accuracy was about 65 %, which means that slightly more than one third of the organisations indicated that they are neither engaged in research nor in innovation. Concerning our identification of foundations supporting R&I (2.1), this suggests that the definition of ‘population’ was too wide, and that most likely fewer than the 4 425 foundations are engaged in research and innovation in Germany. However, compared to the sample from a previous study about research foundations, the FOREMAP (FOundations REsearch and MAPping) study in 2009, this is a huge increase. For the FOREMAP study the sample consisted of only 86 foundations, out of which 33 foundations provided answers to their survey.

In order to complete the picture of the financial situation of R&I foundations, we manually included the publically available financial data of the following foundations:

- Robert Bosch Stiftung
- VolkswagenStiftung
- Baden-Württemberg Stiftung
- Stiftung Mercator
- Else Kröner-Fresenius-Stiftung
- Dietmar Hopp Stiftung
- Klaus Tschira Stiftung
- Deutsche Bundesstiftung Umwelt
- Software AG-Stiftung
- Gemeinnützige Hertie-Stiftung
- Bertelsmann Stiftung
- Körber-Stiftung
- Fritz Thyssen Stiftung
- Stifterverband für die Deutsche Wissenschaft

We indicate any amendments to the survey data in the respective tables.

Furthermore, using the register information from the Association of German Foundations allows us to give some more general background information about the research foundations to whom the survey was sent. We present this information in the following table.

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13 Answers to all questions reflect information in the year 2012.

**Table 2: Financial assets – population information**

Financial assets	Observations	Percentage
Up to EUR 100 000	623	22.86
Up to EUR 1 000 000	1208	44.33
Up to EUR 10 000 000	659	24.18
Up to EUR 100 000 000	188	6.90
More than EUR 100 000 000	47	1.72
<b>Total:</b>	<b>2 725</b>	<b>100</b>

Source: Association of German Foundations; information for foundations in general.

The distribution of financial assets shows that over two thirds of the foundations have a wealth of less than EUR 1 million. Of the remaining foundations, 24.2 % possess financial assets of between EUR 1 million and EUR 10 million, 6.9 % between EUR 10 million and EUR 100 million, and only 1.72 % more than EUR 100 million.

**Table 3: Expenditure – population information**

Expenditure	Observations	Percentage
Up to EUR 10 000	500	24.32
Up to EUR 100 000	794	38.62
Up to EUR 1 000 000	449	21.84
Up to EUR 10 000 000	224	10.89
Up to EUR 100 000 000	74	3.60
More than EUR 100 000 000	15	0.73
<b>Total:</b>	<b>2 056</b>	<b>100</b>

Source: Association of German Foundations; information for foundations in general.

This picture is consequently also mirrored in the expenditure of the research foundations. Nearly 85 % of all the research foundations have an expenditure of less than EUR 1 million, 10.9 % less than EUR 10 million, 3.6 % less than EUR 100 million, and less than 1 % of the foundations spent more than EUR 100 million. Missing values for the financial assets of the sample apply to 1 700 organisations, and to 2 056 organisations for the expenditure data. The picture that emerges from the data on financial assets and expenditure thus reflects the well-known structure of the German research foundation sector, which is dominated by several big players and a large number of small and presumably often very specialised foundations. This latter assumption can be backed up by the number of principal purposes under which the foundations are classified in the database. The modal value, i.e. the most often observed value, is a single purpose; that is, 32.6 % of all foundations serve a single and particular purpose.

**Table 4: Number of principal purposes**

No. of principal purposes	Observations	Percentage
1	1 275	32.62
2	986	25.22
3	678	18.73
4	393	10.50
5	266	6.80
6	310	7.93
7	1	0.03
Total	3 909	100

# 3 Results

## 3.1 Types of foundation

Primarily, it is important to know which types of foundations answered the survey. This information is revealed in Figure 3.

**Figure 3: Types of foundation; research and/or innovation**  
As a percentage of the total number of foundations (N=152)



Taking a look at the purpose of those foundations that answered the survey, Figure 4 reveals that 55 % are exclusively engaged (that is 100 % of their expenditure) in research and innovation. 28 % are mainly focused on research and innovation (i.e., between 50 % and 100 % of their total expenditure), whereas 17 % indicated that mainly other purposes are their target (i.e. less than 50 % of their expenditure went to research and innovation).

**Figure 4: Types of foundations by purpose**  
As a percentage of total number of foundations (N=88)



Concerning the foundation type, the vast majority of foundations of the German sample is grantmaking (58 %). Operating foundations, i.e. those that use their expenditure to achieve their goals themselves, make up 26 %, or a minority of the foundations. Additionally, only 16 % of the foundations in the sample are both grantmaking and operating.

**Figure 5: Types of foundations by grantmaking versus operating**

As a percentage of total number of foundations (N=147)

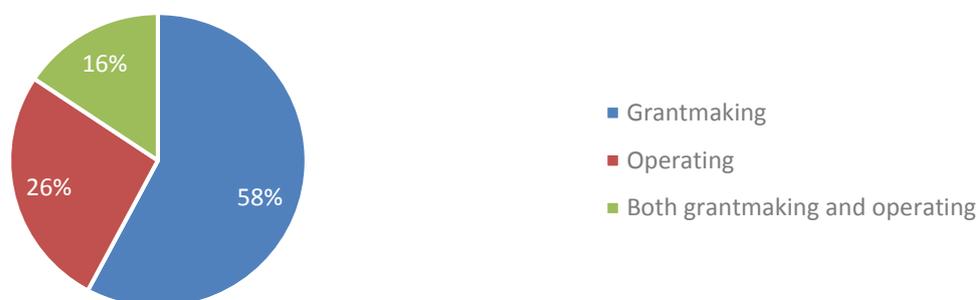
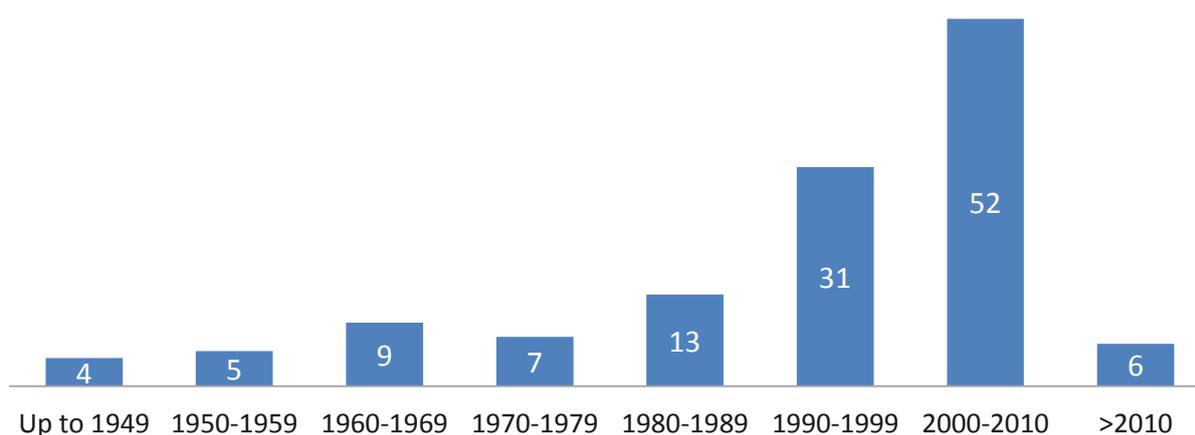


Figure 6 examines when the year of establishment of the different foundations was. The figure shows that most foundations which are active today were established in the 1990s (31 organisations) or the in the 2000s (52 organisations).

**Figure 6: Types of foundations according to year of establishment**

Number of foundations by decade(N=127)



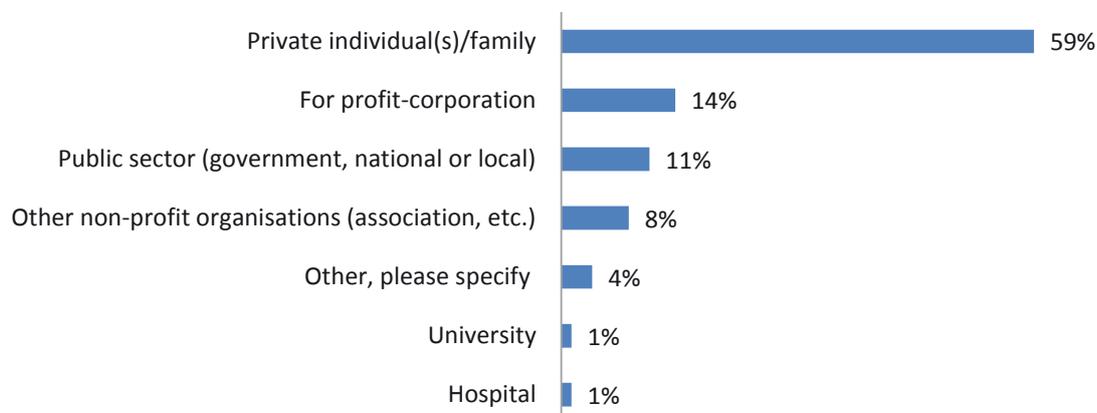
### 3.2 Origins of funds

A first important question concerning the origins of funds concerns the financial founder. This question was answered by 153 foundations (see Figure 7). The bulk of foundations, with 59 %, are funded by private individuals and families. The second largest group of founders is formed by for-profit corporations, with 14 %. The public sector as well as other nonprofit organisations also represent a considerable share of

founders. In contrast, universities, research institutes and hospitals do not constitute, at least in terms of numbers, a big share of founders in Germany.

**Figure 7: Financial founders**

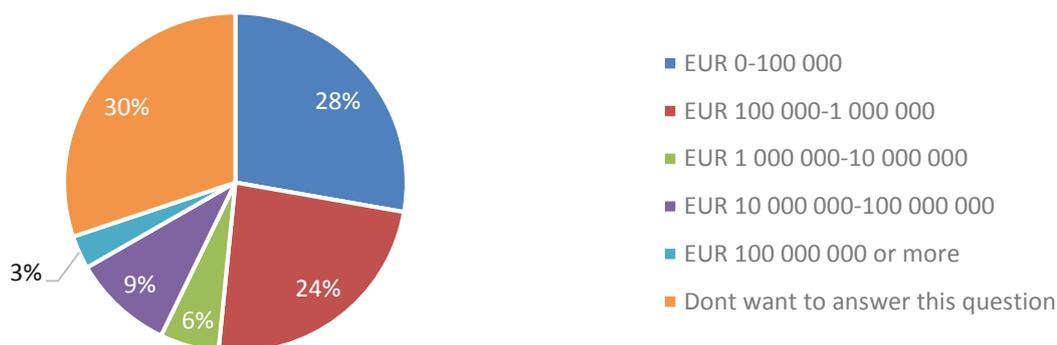
As a percentage of the total number of foundations, multiple answers possible (N=153)



Taking a look at the different income categories to which the foundations in the German sample belong, it becomes evident that the majority of foundations (52 %) are rather small, with a total income of below EUR 100 000 (28 %) or below EUR 1 000 000 (24 %). The income categories of between EUR 1m and 10m, as well as EUR 10m and 100m, are relatively equally represented with 6 % and 9 %. 3 % of German foundations control over more than EUR 100m. This question is most probably a sensitive issue for many foundations as revealed by the fact that roughly one third of the foundations (30 %) did not want to answer this question.

**Figure 8: Total Income by categories in Euros, 2012**

As a percentage of total number of foundations (N=126)



125 foundations provided answers concerning the question of sources of the foundations' total income in 2012. Most German foundations (92 %) indicated that their main source of income was from endowments such as interests, dividends and capital gains. The fact that donations were an important source of total income for foundations was revealed by 34 % of the foundations stating that they obtained donations from

individuals and for-profit corporations (17 %). The remaining sources are of relatively similar importance and range between 10 % (service fees, sales etc.) and 14 % (income from other sources).

**Figure 9: Sources of Income**

As a percentage of total number of foundations (N=125)

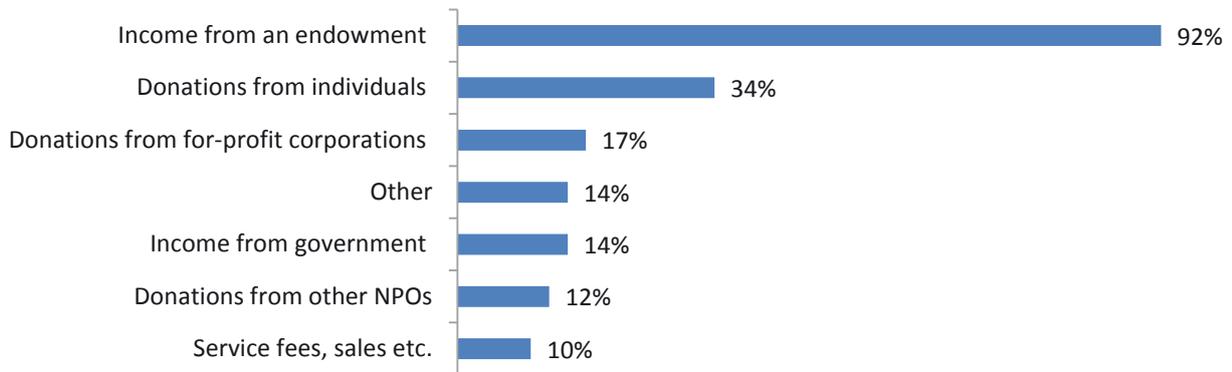


Table 5 summarises information from those 88 foundations that revealed their income. This information mirrors the results from Figure 8 as it shows a relatively moderate median income of roughly EUR 212 000, while the mean, especially due to the special sampling of the big German research foundations, is considerably higher, with EUR 11.5 million. In total, the 88 foundations in the German sample control slightly over EUR 1 billion.

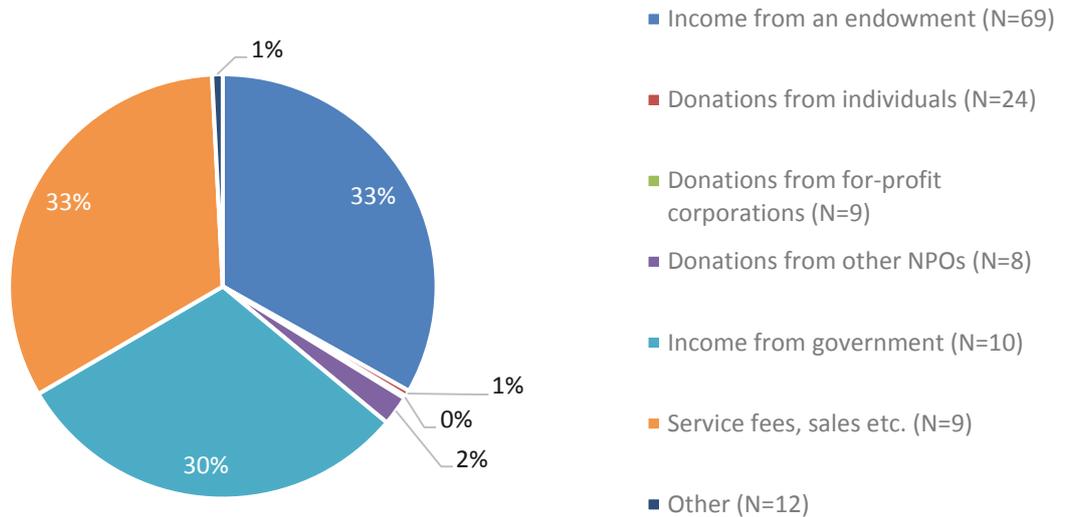
Statistics income [14]	
Number of foundations	88
Mean in Euros	11 454 092
Median in Euros	212 794
Total income	1 007 960 114

A renewed look at the sources of income for those foundations indicateing a change in their income shift the importance of their income sources in comparison with Figure 9. In this subsample we can see that income from an endowment (33 %) is as important as income from service fees and sales (33 %), and almost equal to income from the government (30 %). Further income sources play for these foundations only a minor role.

14 Amended data

**Figure 10: Sources of Income**

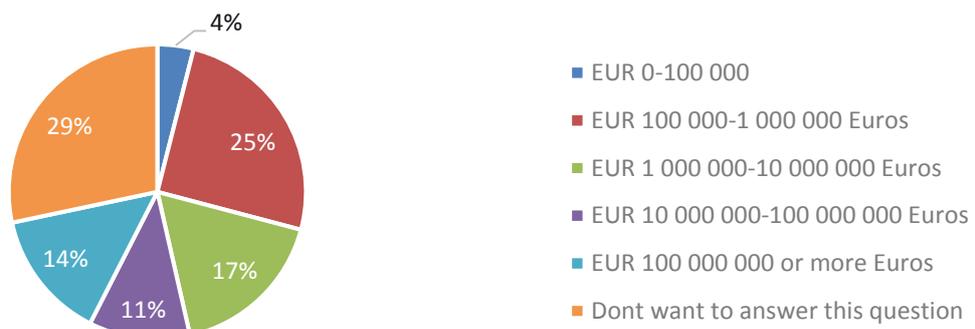
As a percentage of total (known)\* income



A final question of interest concerning the origins of funds is related to the foundations' financial assets. 127 foundations responded to the question concerning their financial assets in 2012. As can be seen from Figure 11 the question of assets is again sensitive for many foundations in our sample, as nearly one third did not want to answer this question. Similar to the income categories, the asset categories also reflect to a certain extent results from small and medium foundations. Nearly half of the foundations answering this question (46 %) control assets worth less than EUR 10 million. On the other hand, 14 % of the foundations control more than EUR 100 million, a figure again affected by the inclusion of the big German research foundations.

**Figure 11: Total assets by categories in Euros, 2012**

As a percentage of total number of foundations (N=127)



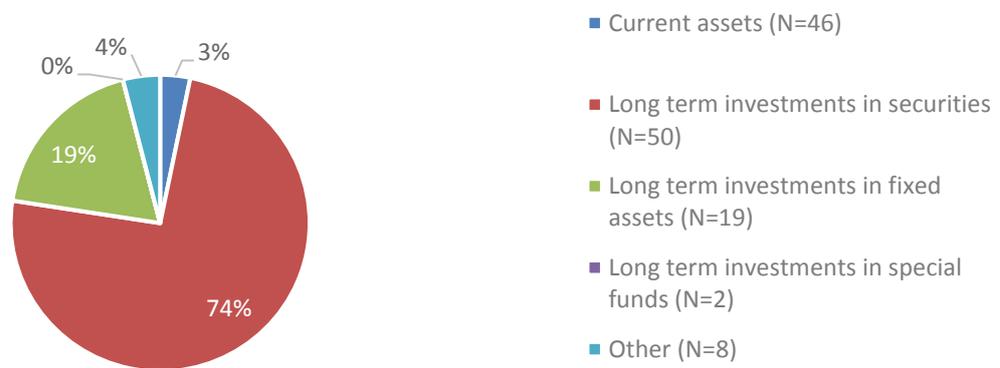
Putting together those 91 foundations that provided concrete values of their assets (see the table below) we derive a median value of assets of EUR 2.8 million and a mean value of EUR 387.8 million. In total, the assets of these foundations are worth more than EUR 35.2 billion.

Statistics assets <sup>[15]</sup>	
Number of foundations	91
Mean in Euros	387 767 187
Median in Euros	2 800 000
Total assets	35 286 813 978

The distribution of assets shows that foundations mostly invest long term in both securities (74 %) and fixed assets (19 %). Other forms of assets (4 %) and current assets (3 %) play only a minor role related to the amount of total known assets.

**Figure 12: Distribution of assets**

As a percentage of total (known) assets

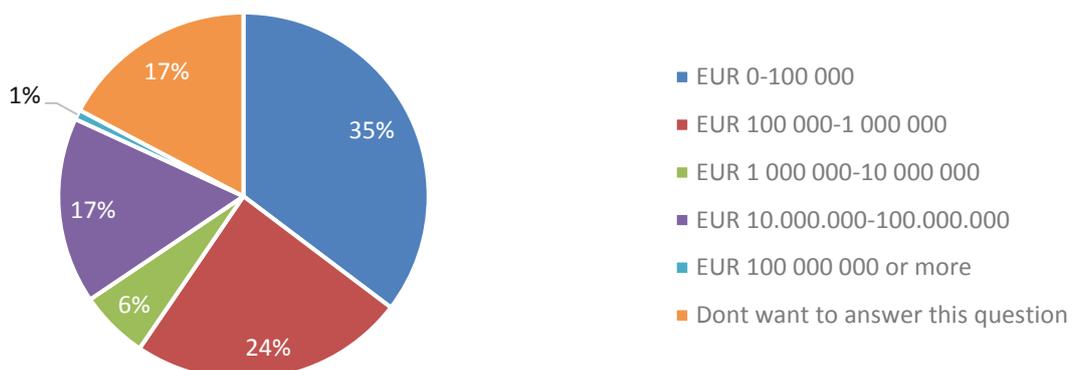


### 3.3 Expenditure

Similar to the data concerning income and financial assets, the total expenditure picture is also dominated by small foundations. Out of the 116 foundations answering this question 59 % fall into the two lowest expenditure categories of below EUR 100 000 (35 %) and between EUR 100 000 and 1 million (24 %). The EUR 1 million to 10 million category includes 6 % of the foundations, and the EUR 10 million to 100 million category 17 %. In our sample, 1 % of the foundations spent more than EUR 100 million in 2012. In contrast to income and assets the non-response rate dropped to 17 %.

**Figure 13: Total expenditure according to category in Euros, 2012**

As a percentage of the total number of foundations (N=116)



96 foundations provided answers concerning their total expenditure. From these answers we can infer that the mean value of expenditure for these foundations is above EUR 9 million, while the median is considerably lower at 187 500. In total, the foundations answering this question spent more than EUR 865 million.

Statistics expenditure <sup>[16]</sup>	
Number of foundations	96
Mean in Euros	9 011 753
Median in Euros	187 500
Total expenditure	865 128 261

From the total known expenditure, 83 % goes towards research and only 1 % goes towards innovation. In our sample, 16 % is directed towards other purposes. This information was derived from the 89 foundations answering this question.

**Figure 14: Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of total known expenditure (N=89)

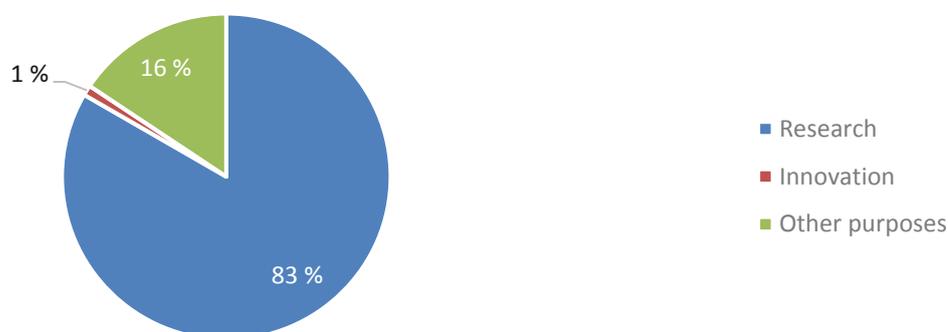


Table 5 shows the corresponding absolute values from Figure 14, and thus provides an additional overview of the distribution of expenditure of German research foundations. The total amount spent on research adds up to more than EUR 574 million, while the foundations spent nearly EUR 7 million on innovation. Other purposes received around EUR 107 million, while we were unable to allocate a sum of EUR 176 million to any of the fields.

16 Amended data

**Table 5: Distribution of expenditures**

Field of expenditure <sup>[17]</sup>	Expenditure in Euros
Research	574 133 226
Innovation	6 988 068
Other purposes	107 581 823
Not allocated	176 425 145
<b>Total expenditure</b>	<b>865 128 261</b>

Taking a closer look at the distribution of expenditure on research as derived from our data, we see in Table 6 that nearly EUR 40 million goes into direct research, while expenditure of more than EUR 18 million is research related. In total, the foundations in our sample spent over EUR 73 million on research.

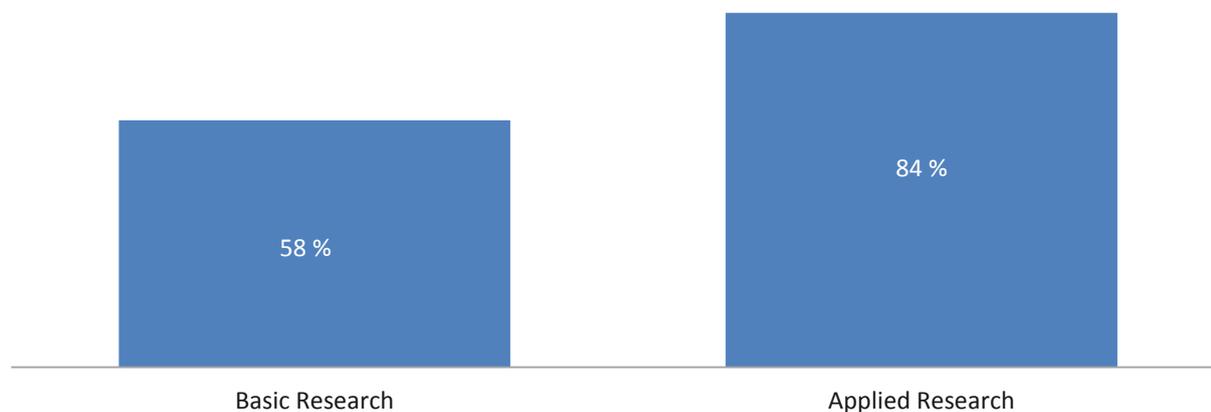
**Table 6: Distribution of expenditure on research; direct vs research related**

Expenditure	Euros	Percentage
Direct research (N=68)	39 841 013	54 %
Research related (N=65)	18 085 743	25 %
Unknown	15 367 315	21 %
<b>Total expenditure</b>	<b>73 294 071</b>	<b>100 %</b>

Concerning the distribution between basic and applied research, Figure 15 shows that most of the foundations are engaged in applied research (84 %) while slightly more than a half of the foundations (58 %) support basic research. For those foundations that provided us with information on their expenditure, these categories add up to nearly EUR 52 million in the case of basic research and to nearly EUR 17 million in the case of applied research. Thus, while numerically more foundations support applied research, the sum going to funding is considerably higher for basic research.

**Figure 15: Distribution of expenditure on research; basic vs applied**

As a percentage of the total number of foundations (N=106)



17 Amended data

**Table 7: Distribution of expenditure on research; basic vs applied**

Expenditure	Euros	Percentage
Basic research	51 996 649	71 %
Applied research	16 950 622	23 %
Unknown	4 356 800	6 %
Total expenditure	73 294 071	100 %

In Figure 16 we provide some evidence on how the foundations compared their research and innovation expenditure to the previous accounting year (2011). For most foundations (61 %) their expenditure remained relatively stable compared to 2011. On the contrary, 16 % indicated an increase in expenditure, while 13 % decreased their expenditure. 9 % of the foundations had just started in 2012, and 1 % of the foundations were discontinued.

**Figure 16: Changes in expenditures to research and innovation compared to previous year**  
As a percentage of total number of foundations (N=104)



As regards the expectations for the upcoming year, 64 % of the foundations expected their expenditure remain stable, while 18 % of the foundations expected both a decline and an increase in their expenditure on research and innovation.

**Figure 17: Changes in expenditures to research and innovation, expectations for next year**  
As a percentage of total number of foundations (N=105)



### 3.4 Focus of support

A topic that naturally follows as the focus of attention after investigating expenditure is the various benefits from that expenditure. In the German case, the beneficiaries (see Figure 18) of the foundations are in the first place public higher education institutions (36 %) and in the second place individuals (30 %). The nonprofit sector (14 %), research institutes (13 %) and the government sector (7 %) follow as beneficiaries. Private higher education institutions (2 %) and the business sector (1 %) play only a minor role.

**Figure 18: Beneficiaries**

As a percentage of total number of foundations, multiple answers possible (N=68)

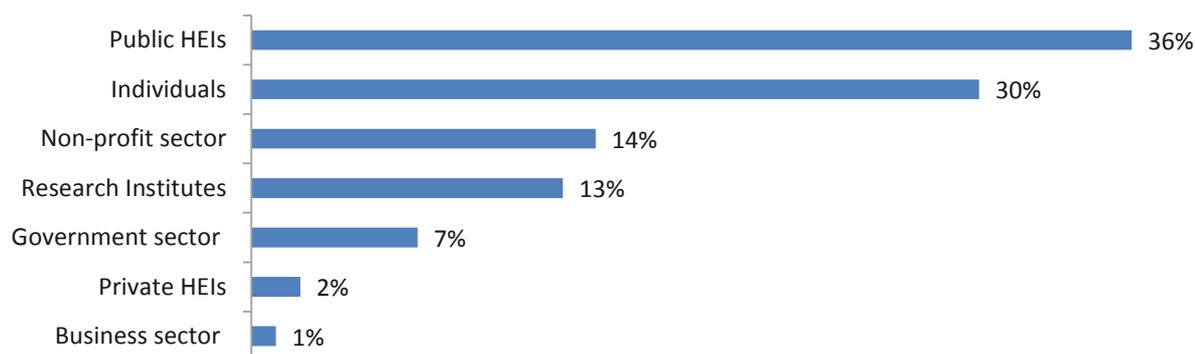


Figure 19 reveals the areas support from the research foundations. Many foundations support natural science (38 %), the humanities (33 %), social and behavioural science (31 %) and medical science (30 %). Support for the field of engineering and technology (25 %) is slightly less. The two fields with not much support are agricultural science (5 %) and other sciences (13 %).

**Figure 19: Thematic Research Fields**

As a percentage of total number of foundations, multiple answers possible (N=104)

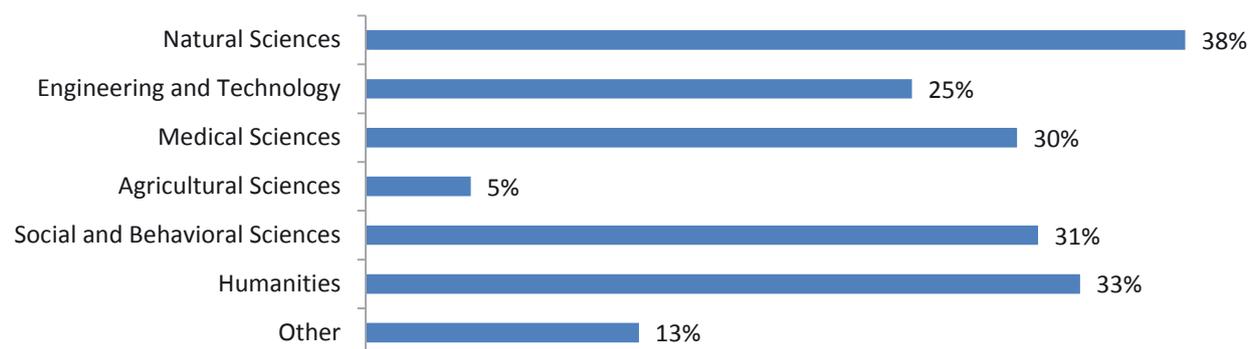


Table 8 shows the amount of money corresponding to each field of research. In our sample, natural science (EUR 15.5 million) and the humanities (EUR 12 million) received the bulk of the money. All the other fields range between EUR 1 million and 2 million, while unfortunately we were unable to allocate the biggest share of expenditure (EUR 39.5 million).

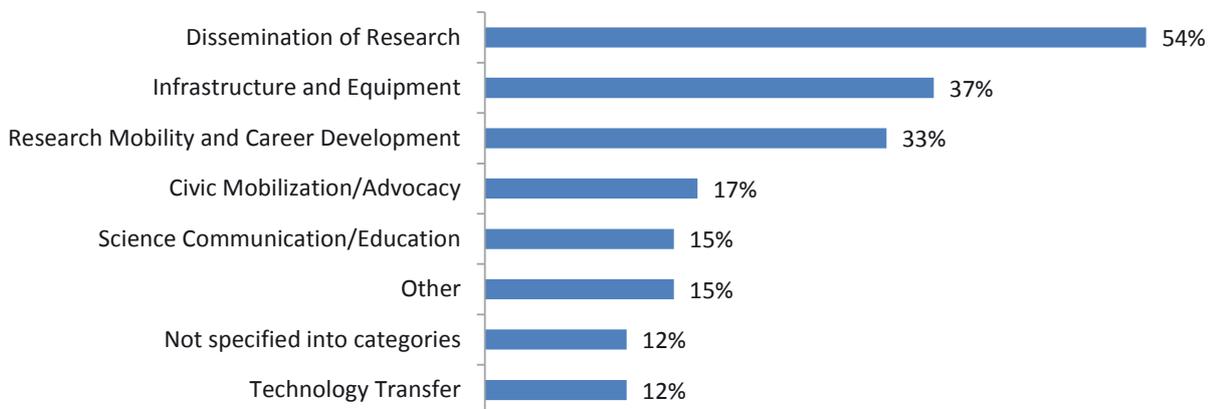
**Table 8: Expenditure for research fields**

Expenditure	Euros
Natural science	15 576 945
Engineering and technology	1 981 843
Medical science	1 815 387
Agricultural science	0
Social and behavioural sciences	1 115 622
Humanities	12 168 691
Other	1 090 610
Unknown	39 544 973
<b>Total expenditure</b>	<b>73 294 071</b>

Looking at research-related activities pursued by foundations, more than half of them stated that the dissemination of research is an important goal. Infrastructure and equipment (37 %) and research mobility and career development (33 %) also receive substantial support.

**Figure 20: Research related activities**

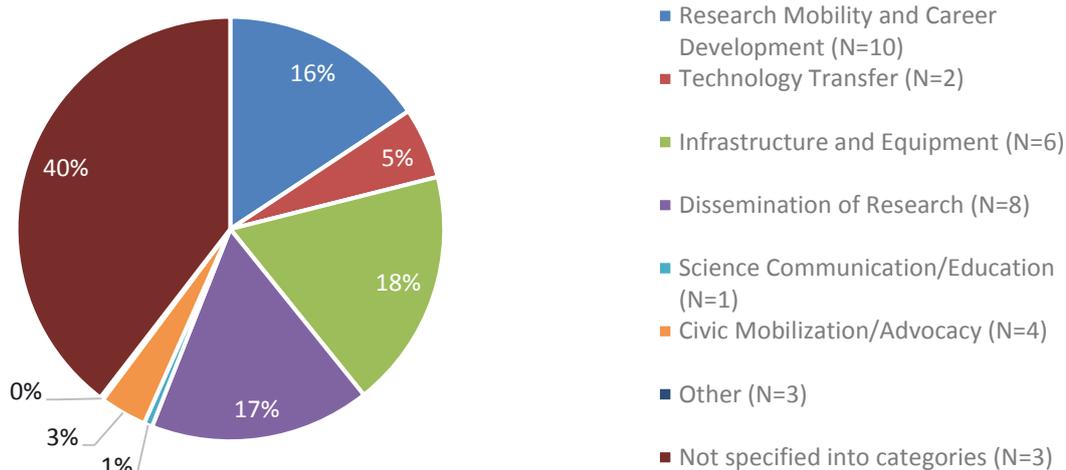
As a percentage of total number of foundations, multiple answers possible (N=52)



In terms of the distribution of total known expenditure, a large amount goes into research infrastructure and equipment (18 %, EUR 283 000), dissemination of research (17 %, EUR 259 236), as well as research mobility and career development (16 %, EUR 242 900).

**Figure 21: Research related activities**

As a percentage of total known expenditures to research



**Table 9: Expenditure on areas of research**

Expenditure	Euros
Research mobility and career development	242 900
Technology transfer	84 000
Infrastructure and equipment	283 000
Dissemination of research	259 236
Science communication/education	10 000
Civic mobilisation/advocacy	55 000
Other	4 000
Unspecified	615 000
Unknown	71 740 935
<b>Total expenditure</b>	<b>73 294 071</b>

### 3.5 Geographical dimensions of activities

A further question of interest concerns the geographical dimensions of the foundations' activities. This information is displayed in Figure 22. Most foundations support research and/or innovation either at a local/regional level (53 %, EUR 41 million) or at a national level (30 %, nearly EUR 23 million). Research and/or innovation at an international level (15 %, EUR 11.8 million) is less often the geographical focus of support. Support solely at an EU level has the least geographical support, with 2 % (EUR 1.5 million).

**Figure 22: Geographical focus of support**

As a percentage of total (known) expenditures to research and/or innovation (N=92)

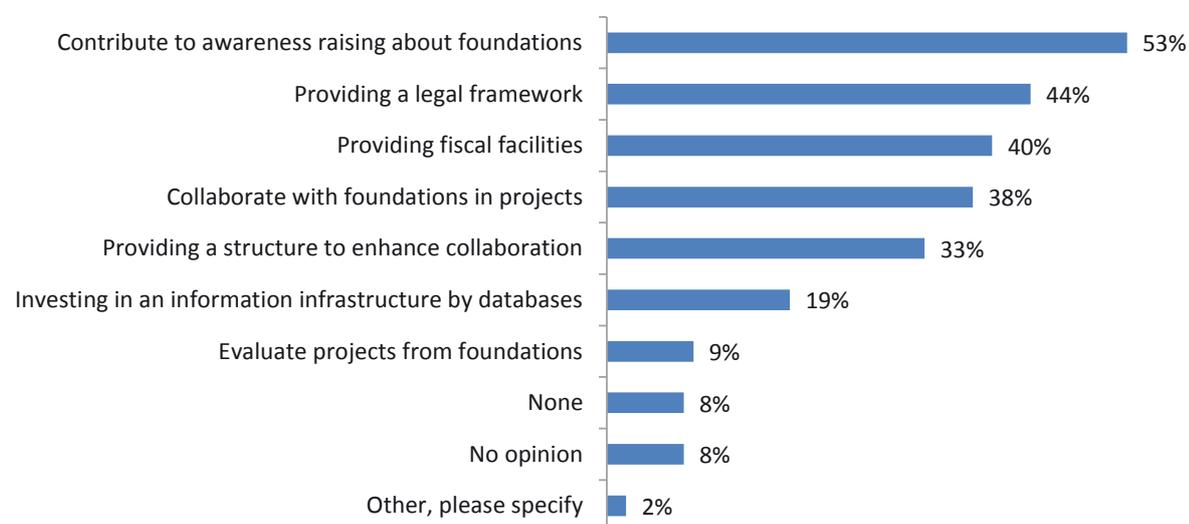
**Table 10: Geographical focus of support**

Geographical level	Euros
Local/regional	41 340 495
National	22 974 421
European	1 576 138
International	11 791 485
Not allocated	2 599 599
<b>Total expenditure</b>	<b>80 282 138</b>

Despite the relatively little importance of funding directed towards the European level, most foundations advocate certain roles for the European Union. More than half of the foundations advance the view that the EU should contribute to awareness raising about foundations. This is followed by the opinion that the EU should provide a legal framework (44 %) and the view that the EU should provide fiscal facilities. Only 8 % of the foundations see no specific role for the EU.

**Figure 23: Role of the European Union**

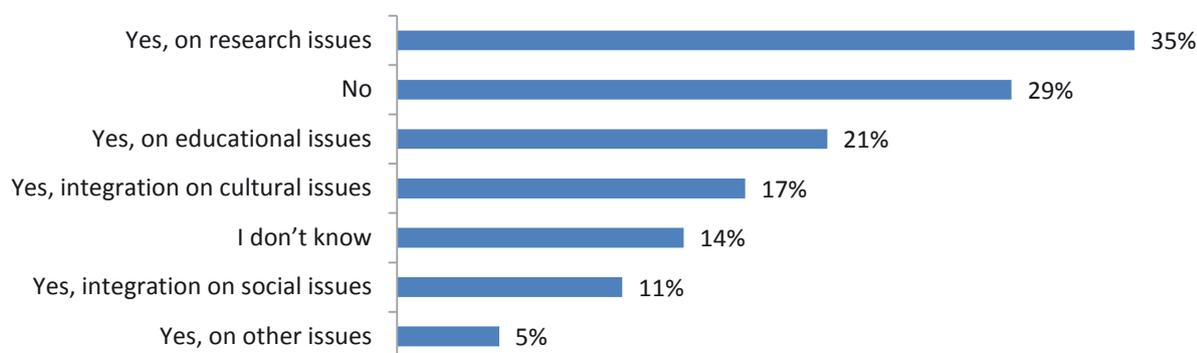
As a percentage of total number of foundations, multiple answers possible (N=101)



Finally, the foundations were asked whether they contribute to European integration. 35 % of the foundations responded positively to this question, but 29 % did not see themselves as contributing to European Integration.

**Figure 24: Contribution to European Integration**

As a percentage of total number of foundations, multiple answers possible (N=102)



### 3.6 Foundations' operations and practices

The most common daily practice in the sample of German foundations is to demand evidence of how grants have been spent after funded projects have been completed. This is the case for 81 % of all foundations. Only 15 % do not ask for this evidence, or do it only rarely. The second most important daily practice is to conduct evaluations to assess whether a grant was successful and why. In contrast, supporting an organisation only once is a daily practice that most foundations do not carry out. A pro-active search for projects is also a daily practice that can never or only rarely be found in most foundations.

**Figure 25: Daily Practice of Grantmaking foundations**

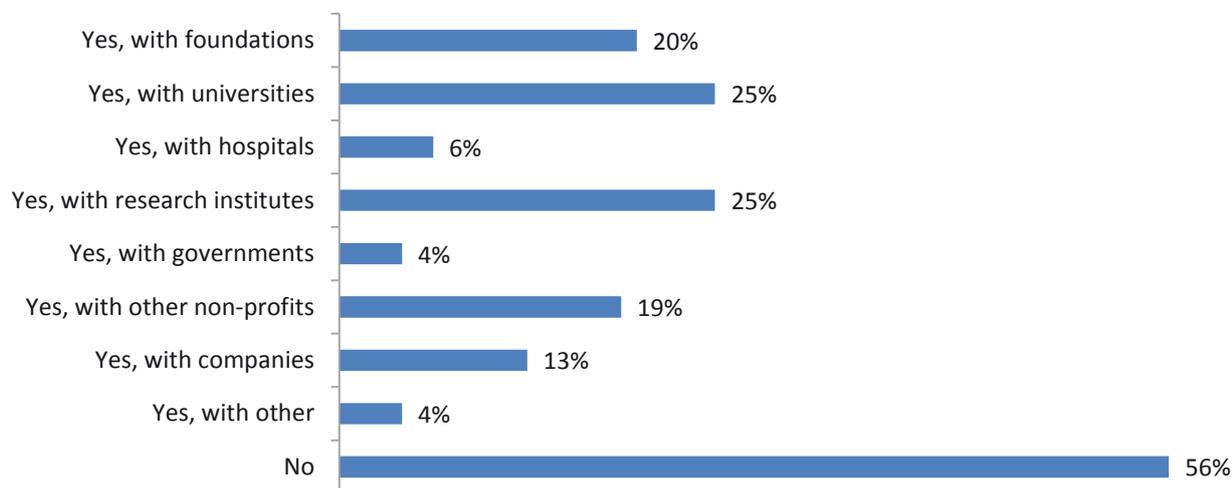
As a percentage of total number of foundations



Being involved in partnerships to develop joint research activities is also not very widespread behaviour. In our sample, 56 % of the foundations stated that they are not in partnerships. The foundations that go into partnership do so most frequent with universities (25 %) and research institutes (25 %). Also of importance are partnerships with foundations (20 %) and with other nonprofits (19 %).

**Figure 26: Partnerships**

As a percentage of foundations, multiple answers possible (N=95)



The most common motivation to engage in a partnership is pooling expertise (72 %) and increasing impact (65 %). This is followed by the motivation to expand activities (49 %) and to pool money due to a lack of necessary funds (40 %). Of only minor importance are the avoidance of duplication effort (19 %), creating economies of scale (7 %) and increasing legitimacy (7 %). 12 % of the foundations also stated other reasons.

**Figure 27: Motivation Partnership**

As a percentage of foundations, multiple answers possible (N=43)

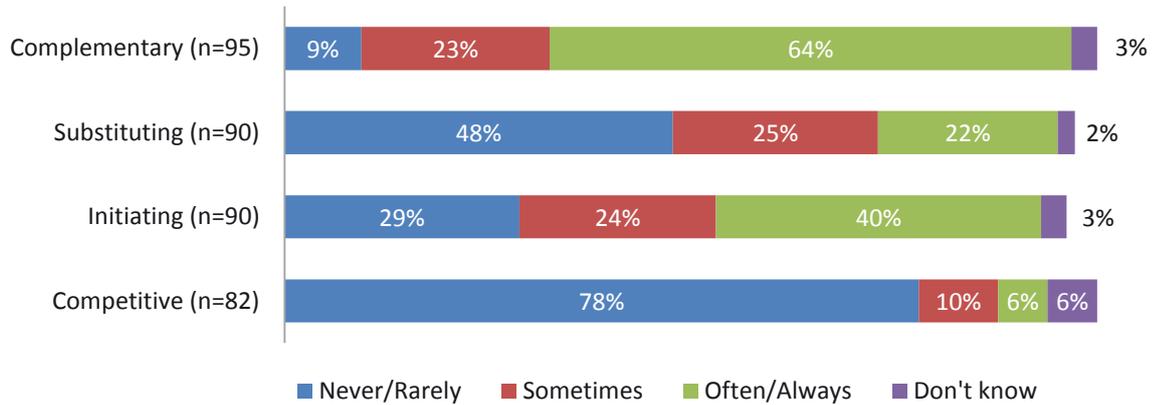


### 3.7 Roles and motivations

Finally, in describing their role in the domain of research and innovation, most of the foundations in the German sample see their role as complementary (64 %) and initiating (40 %). This view is also documented as most of the foundations would not describe their role as competitive (78 %) or substituting (48 %).

**Figure 27: Role of foundations**

As a percentage of total number of foundations by role



# 4 Innovative Examples

In this part of the study, several foundations and their capacity for innovation will be described in detail. We will make use of existing research resources for this qualitative part of the study rather than performing additional interviews. This is due to the fact that two recent surveys dealt comprehensively with the science funding landscape. The most important science funding foundations took part in those studies and were invited to share their experiences and opinions.

These studies are:

- Donsbach, Wolfgang; Brade, Anne-Marie: *Forschungsfördernde Stiftungen in der Wahrnehmung ihrer Stakeholder*, Dresden, 2013 (research funding foundations from the point of view of their stakeholders).
- Centre for Social Investment, Universität Heidelberg: *Learning from Partners*, Heidelberg, 2012.
- Individual reports on three of the four foundations analysed in the Learning from Partners project.

These studies provided in-depth insights into the importance of foundations for the funding of research. They also show what image foundations have as funders of research compared to other funders. In general terms, the image of research-funding foundations is not as innovative as one would expect. Research-funding foundations are regarded as providing funding for projects or individuals, sometimes in specifically defined areas (Donsbach 2013: 54). They are understood as being mainly engaged in social science and the humanities, and not so much in engineering, natural science or medicine (Donsbach 2013: 55). In these disciplines, they are considered as promising partners for the funding of projects (Donsbach 2013: 62). Generally, research-funding foundations are considered as highly renowned organisations and reliable partners that also place a great demand on their applicants (CSI 2012: 11).

The innovative role of research-funding foundations depends on different dates. In the (re-) founding phase of German research funding after WWII, research foundations were more or less equivalent to public funding. Therefore, they had an important impact on the current German institutional culture of research funding. Nowadays, the innovative role of foundations can instead be found in the issues and topics they fund.

Foundations which are depicted in detail in the qualitative part of the study are:

- Stifterverband für die deutsche Wissenschaft
- The Volkswagen Foundation
- Robert Bosch Stiftung
- Stiftung Mercator
- The Fritz Thyssen Foundation

We focus our analysis in particular on the format of the funding the respective foundations provide and evaluate this format also in terms of its capacity for innovation.

### **Stifterverband für die deutsche Wissenschaft**

A speciality in Germany is the ‘Stifterverband für die Deutsche Wissenschaft.’

It was founded in 1920, and collected funds that were distributed to the ‘Notgemeinschaft der Deutschen Wissenschaft,’ the predecessor to the German Research Foundation (DFG), which is not only a foundation, but also an association. Currently, about 3 000 donors, such as foundations, companies and private citizens are represented under the umbrella of the Stifterverband (Stifterverband 2014). Until the present day, the Stifterverband has been an important factor on the German academic scene and in particular deals with academic education and teaching, infrastructure and endowed chairs, science policy, the management of universities and so on. Due to its unique structure, the large number of institutions represented, the huge funding figure of EUR 150 million annually and its unbureaucratic procedures, the Stifterverband can definitely be considered an unconventional player in the research funding system of Germany. The Stifterverband wants to set up innovative aspects within its programs, such as ‘fellowships for innovation in higher education teaching’ as well as ‘innovative starts to studies.’ The former aims to encourage fellows at universities to come up with new formats of teaching, e.g. problem-based learning. The second one aims at initiating new approaches to welcoming particularly heterogeneous groups of students at universities.

### **The Volkswagen Foundation**

The Volkswagen Foundation is the financially biggest research funding foundation in Germany with an expenditure of EUR 119 million in 2011 (Bundesverband Deutscher Stiftungen 2011). It offers a broad range of possibilities to fund individuals as well as research projects. Funding is granted on the basis of individual applications. Therefore, it belongs to the few science foundations solely functioning as grantmaking (and not operative). Innovation is a pivotal part of the Foundation’s work and is expressed by the funding initiatives that are tendered. Two innovative programs are presented here: one is the Volkswagen Foundation’s funding initiative called ‘Experiment! - in search of bold research ideas.’ The program is innovative and unusual in two regards: first and foremost, radically innovative research projects with indefinite outcomes are supported. Second, their decisions are made faster than in typical application processes. Feedback to a researcher’s submission is provided within three months throughout the year. If it is favourably viewed, this enables a prompt start to the project and the implementation of the research ideas (VolkswagenStiftung 2014a). The second innovative project worth mentioning consists of interdisciplinary projects with innovative solutions, a flexible funding scheme and security for at least five years: this is what characterises the Volkswagen Foundation’s Freigeist fellowship. Junior researchers from all disciplines can apply for funding to pursue projects off the beaten track (VolkswagenStiftung 2014b). One highlight during its more than 50 years of activity is funding the study ‘The limits of growth,’ published by Dennis Meadows et al. in 1972.

## Robert Bosch Stiftung GmbH

Robert Bosch Stiftung GmbH with funding of EUR 69 million in 2012 is not the biggest, but the best-known research funding foundation in Germany (Donsbach 2013: 28). Due to its funding history, the foundation has close ties with the Robert Bosch Company, and therefore carries its name. Like Stiftung Mercator, Robert Bosch Stiftung works in both operative and grantmaking areas. Innovation is also a recurring issue in the foundation's work: within its 'health and science' department it offers in particular programs for two beneficiary groups which are less prevalent in the work of other foundations: women and children. AcademiaNet, a web portal including 1 200 profiles of excellent female researchers, stands out in its approach. Moreover, there are certain programs specifically geared towards children, such as 'The City of Young Scientists and Scholars,' as well as 'School Meets Science.'

## Stiftung Mercator

Stiftung Mercator also belongs to the biggest private foundations in Germany, with a funding volume amounting to EUR 60 million in 2012. Like Robert Bosch Stiftung, Stiftung Mercator works in both operative and grantmaking areas. The foundation is organised into three competence centres: science and the humanities, international affairs, and education. Additionally, some core areas of activity such as integration, climate change and cultural education are defined. The latter is especially important with regards to innovation. An OECD study supported by Stiftung Mercator showed that cultural education enhances the development of innovative competences (Stiftung Mercator 2013). Moreover, the foundation supports innovative projects in higher education, such as the NRW School of Governance, and a whole research network of universities working on the issue of innovative social action, which means the phenomenon of social entrepreneurship.

## The Fritz Thyssen Foundation

According to its statutes, the Fritz Thyssen Foundation concentrates on providing direct support for science and research, with a special focus on young researchers. It was the first private research funding foundation established after WWII. It funds mainly projects and individuals in the core areas of history, language and culture, the State, economics, society and medicine. In 2012, the foundation's expenditure amounted to EUR 18 million. The foundation's capacity for innovation was represented in the past by creating new formats: as a structural innovation in the late 1960s, the Fritz Thyssen Foundation supported the so-called 'Graduiertenkollegs' ((post-)graduate programs) before they became part of the regular funding schemes by, for example, DFG. As a thematic innovation, the Fritz Thyssen Foundation together with the Volkswagen Foundation set up the joint program 'Focus on the Humanities,' which comprised the two components 'Opus Magnum' and 'Dilthey Fellowship,' and was accompanied by an event program. Additionally, the Fritz Thyssen Foundation actively accompanied and financially supported the funding process of the Centre for Social Investment at Heidelberg University in 2006 and has supported it ever since.

**Table 11: Research foundations and their innovative approaches**

Foundation	Format of funding	Expenditure in 2012	Innovative projects and programs (selection)
Stifterverband für die Deutsche Wissenschaft (registered association)	Special funding actor	EUR 150 million	<ul style="list-style-type: none"> <li>• Innovative beginning of studies</li> <li>• Fellowships for innovation in higher education teaching</li> </ul>
The Volkswagen Foundation	Grantmaking	EUR 119 million (2011)	<ul style="list-style-type: none"> <li>• Experiment!</li> <li>• Freigeist-Fellowships</li> <li>• Off the beaten track</li> <li>• University of the future</li> </ul>
Robert Bosch Stiftung	Mixed (operative and grantmaking alike)	EUR 69 million	<ul style="list-style-type: none"> <li>• Innovation concerning a focus on certain focus issues: women and children in science</li> </ul>
Stiftung Mercator	Mixed (operative and grantmaking alike)	EUR 60.4 million	<ul style="list-style-type: none"> <li>• Innovation concerning a focus on certain issues: core field cultural education</li> <li>• Climate change</li> <li>• International relations</li> <li>• Integration</li> <li>• Funding of innovative schools</li> <li>• Support for research networks on innovation issues</li> </ul>
Fritz Thyssen Stiftung	Grantmaking	EUR 18.10 million	<ul style="list-style-type: none"> <li>• Focus on the humanities (in cooperation with VolkswagenStiftung)</li> <li>• Graduate college</li> <li>• Support for founding new research entities (CSI)</li> </ul>

Source: Own illustration

## 4.1 Newer forms of funding research

There is also a duality consisting of the newer phenomenon of the more maecenic funding of research, and the methodically peer review-based funding of the more traditional players. Forms of funding that historically have become institutionalised in the variety of German funding schemes could be categorised as follows, according to Rudolf Speth (2010: 396). Two traditional forms of funding can be distinguished: individual funding (e.g. foundation endowed professorships) and project funding for certain areas. In addition to these two approaches, foundations are also engaging more and more in founding and funding institutions, such as the Zeppelin University, Leuphana University Lüneburg, the Hertie School of Governance, and the Bucerus Law School.

Foundations are also making a name for themselves in founding innovative research entities. Among them, three are presented here: the Centre for Social Investment (CSI) at Heidelberg University, the Expert Council of German Foundations on Integration and Migration (SVR), as well as the Mercator Research Institute on Global Commons and Climate Change (MCC). The former belongs as an academic institute at the University of Heidelberg and carries out research at an interface of the economics, social science, law and theological faculties. The Centre’s aim is to ameliorate the understanding of social innovations and social investments through the work of its three departments of research, teaching and advisory services (CSI 2014). CSI was founded in 2006 and receives its core funding from a variety of foundations (see Table 12 below). The Expert Council of German Foundations on Integration and Migration, an independent advisory council, serves as a second example to highlight the science foundations’ potential for founding new research entities. In this case, a consortium of foundations, including among others Stiftung Mercator and the Volkswagen Foundation, were involved in founding this initiative in 2008. Its mission is to provide research-based but still practice-oriented recommendations for policy-makers on how to reinforce efforts to integrate migrants in Germany (SVR 2014). The third example of a newly-founded research entity is the MCC. Stiftung Mercator and the Potsdam Institute for Climate Impact Research decided in 2011 to found MCC to investigate sustainable economic growth and climate change (MCC 2014). These examples emphasise the foundations’ ability to identify and address pressing issues, such as social investment, migration and climate change. It is again relevant that foundations do not usually start the founding process themselves; it is more common for them to join forces with other cooperating organisations.

**Table 12: Foundations funding new research entities**

Institution	Foundations involved
Hertie School of Governance	Gemeinnützige Hertie Stiftung, Karl Schlecht Stiftung, Stiftung Mercator, Commerzbank Stiftung, Randstad Stiftung, Stiftelsen Riksbankens Jubileumsfond, Fritt Ord Foundation, Rosenkranz-Stiftung, Stiftung ökonomischer Fortschritt, Dr. Heinz-Horst Deichmann Stiftung
Centre for Social Investment (core funding)	Manfred Lautenschläger Stiftung, Robert Bosch Stiftung, Fritz Thyssen Stiftung, Deutsche Bank Stiftung, gemeinnützige Hertie Stiftung, Stifterverband für die Deutsche Wissenschaft
Expert Council of German Foundations on Integration and Migration (SVR)	Stiftung Mercator, Volkswagen Foundation, Bertelsmann Stiftung, Freudenberg Stiftung, Gemeinnützige Hertie-Stiftung, KörberFoundation, Stifterverband für die Deutsche Wissenschaft, Vodafone Foundation Germany
Mercator Research Institute on Global Commons and Climate Change (MCC)	Stiftung Mercator with the Potsdam Institute for Climate Impact Research (PIK)

Source: Own illustration

# 5 Conclusions

## 5.1 Main conclusions

The findings of this study show a foundation sector that is characterised by the following main features:

- Foundations in Germany make use of a huge variety of legal forms, of which the independent foundation under civil law with a public benefit purpose is the most common.
- Foundation law is not a coherent part of the law, but is spread between corporate, tax and civil law.
- The foundation sector is highly concentrated in terms of assets and expenditure. A small fraction of the field represents the majority of the accumulated capital.
- The majority of foundations are grantmaking.
- Most foundations engage in applied research.
- The beneficiaries are mostly institutions and individuals in higher education, such as universities and universities of applied science.
- There is a focus on the dissemination of research in the stated goals of foundations' work.
- There is a high level of integration in the public funding system of R&I. In particular, the main institutions are part of the public chain of support for R&I.
- The overall share of financing R&I that comes from foundations is about 1 % and therefore at first sight is not that impressive.

Thus, foundations are a flexible form of private contribution to researching an innovation. Donors can choose from a variety of different legal forms, as well as from different forms of participation in the system of R&I, depending on their wishes.

Besides a broad field of tens of thousands of smaller organisations, there are a few very big foundations which control the majority of the financial means of the sector. These big foundations can in fact influence a certain field of research by funding either a specialised infrastructure or individuals that fit into the foundations' focus programs.

During the period after WWII, these big players evolved and helped substantially to re-build the German research system. Also, important innovations such as the introduction of special funding schemes took place at this time. Some of these programs were implemented into public schemes, and others institutionalised into stable public-private partnerships.

## 5.2 Strengths and weaknesses of the R&I foundation sector

Among the main strengths of the German R&I foundation sector are its capability to define focal points and to serve as issue-specific advocates and agenda setters. Despite the fact that the biggest structural innovations took place in the past, foundations still shape the R&I system by means of the effective funding of focal issues and the dissemination of research resulting in a broader public debate.

The biggest weakness of R&I foundations is their marginal financial role. With only 1 % of the total expenditure on R&I, they do not seem capable of having very much influence in this field. However, as described in Chapter 4, there are some very good examples of innovative practices introduced by foundations.

Another weakness of the foundation sector in general is the need to prove their legitimacy on a permanent basis. Since the recipients of foundations' funding are often public institutions or individuals working in these institutions, there is a strong necessity to make procedures transparent and to explain why one focal scheme is being funded and another not.

## 5.3 Recommendations and final remarks

In summary, the reputation of German research foundations is generally high. They offer a wide range of possibilities to support individuals and organisations alike. In addition to funding individual researchers and their projects, they also provide support to universities and new research entities. Nevertheless, especially in the wake of the rising importance of research foundations, questions of legitimacy will become more and more important. Foundations are not legally bound to release official documents. Since they are not held accountable for publishing facts, figures and reports, the foundations' work is not made accessible and transparent to the public. Due to this continuing lack of accountability, reliability and transparency, this legitimacy issue will sooner or later become a serious deficiency.

The majority of the foundations in this study have a mixed funding structure consisting of funding and operative programs alike. Since they do not work solely in an operative way, and thus also accept grant applications from external parties, their own capacity for innovation is limited. Nevertheless, this open structure of a mixed funding format encourages grant recipients to come up with unconventional ideas. This mix of funding and operative foundations seems to be promising and should be encouraged.

'Science foundations provide only about 1 % of public science funding' (Nachhaltige Wissenschaft 2012). This is how Wolfgang Rohe, Executive Director of Stiftung Mercator, describes the contribution of science foundations in Germany. Despite the debate about private players' influence on science and higher education, the foundations' contribution is relatively seen as being marginal and limited. Thus, their capacity to initiate innovative projects and programs is somehow also limited. However, it has to be acknowledged that foundations are definitely able to give an impetus to reform and to initiate processes. Even though their effects are rather selective and not widely applied, it is certainly thoughtful and substantiated.

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Greece Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Dionysios Mourelatos

Research and  
innovation



# **Greece Country Report**

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**Dionysios Mourelatos**

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# 1 Contextual Background

## 1.1 Historical background

Although there is a long tradition, even from the Byzantine period, of charitable foundations, such as the School of Philanthropinoi (Philanthropic), connected to the Philanthropinos family (the monks Proklos and Komninos in 1410 and Makarios Philanthropinos in 1420) in Ioannina with connections to the Orthodox Church <sup>[1]</sup>, we should trace the history of philanthropy back to the Greek war of independence when rich merchants offered money to support the war. Furthermore, after the independence of Greece (1830) a lot of wealthy Greeks, especially from the Diaspora, funded the construction of public buildings and/or supported special events such as the first modern Olympic Games that took place in Athens in 1896 <sup>[2]</sup>.

In general, private philanthropic activity after the war of Greek independence supported policies that were urgent at that time, such as technical education and social charities (orphans, lack of hospitals etc.), which were the priorities of that period.

There is one case in the 19th century that a donation was provided for the University of Athens, in order to reinforce its economic independence to ensure the promotion of the education on offer. <sup>[3]</sup> This may be the first attempt to fund research and innovation.

During the 19th century a lot of charity organisations started their activity in Greece; especially in Athens and Peiraeus, where poverty was increasing, there were a lot of charities <sup>[4]</sup>. These charity activities were also promoted by the Greek royal court, in order to maintain its political influence over the Greek society. <sup>[5]</sup>

Moreover, a lot of Greek merchant families, active especially in central Europe, like Trieste or Vienna, offered some of their wealth to support the relief of poor people <sup>[6]</sup>. It seems that these philanthropic activities were connected to the self-image of the wealthy merchants and their ambitions to develop social networks, especially among the Greek community in their city.

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1 This school was orientated more towards the education and remained active until the 18th century. See further in Tsodoulos 2010.

2 Beneki 2013.

3 Mantouvalos 2009. This goes for a wealthy Greek from Trieste, Sakellarios.

4 Tsakouris 1995

5 Tsakouris 1995, 61-62

6 Especially for the case of Trieste see Mantouvalos 2009.

The foundation of orphanages, foundations for poverty, schools for women etc. were more common after 1860, probably connected to the development of the industrialisation in Greece during the same period. Poor people from the countryside came to Athens and Peiraeus to find jobs in the developing Greek industry at that time. However, this emigration increased the problem of poverty in the Greek cities. The foundation of philanthropic organisations was destined more to support these poor people, in connection of course with the political and economic interests of their founders <sup>[7]</sup>.

In general, the role of the Church was limited in its philanthropic activities due to the interference of the Greek State in its economics and the confiscation of a large part of this landed-property. <sup>[8]</sup>

Although, we cannot follow the historical development of the establishment of new R&I foundations, because of the lack of such data, it seems that c. 19th endowments are still active under the control of authorities such as the University of Athens or the Academy of Athens. Over the last four decades, moreover, it seems that a lot of new foundations have been established. However, a significant number of them – the new foundations – have become inactive during last five years due to the financial crisis.

However, the concept of a philanthropic organisation was first established in the Article 95 of Law 2039/1939 <sup>[9]</sup>.

## 1.2 The Legal and fiscal framework

The legal and fiscal framework of the foundations in Greece is also protected by the Greek Constitution (article 109, as revised on 6 April 2001). The will of the testator is fully respected; the sole restriction concerns public policy. Foundations and endowments are overseen by the Ministry of Finance under Article 1 of Law 2039/1939, which remained in force after the the Civil Code, Article 101 , IO. NIS, which established the State's obligation to faithfully and accurately fulfill the will of the testator, it also ensures the State supervision's and concerning legal provisions about the administration of the foundations.

With No 1001449/18/A0006/8.1.2002 and 1053849/1012/A0006/31.7.2002, joint decisions by the Ministers of the Interior and Public Administration & Finance (GG 4/9.1.2002/t . B , 830/2.7.2002/t . B ) and the No. 128/2005 opinion of the Legal Council of State transferred oversight responsibilities of the Ministry of Economy and Finance into the respective regions. Mainly transferred were management control (budget control, reporting, the establishment of boards of management, litigation, leases and management control ), while issues such as supervision and liquidation management legacies in favour of the public interest and for what purpose are carried out in more than one region, the supervision of all the legal issues remain under the responsibility of the Ministry of Finance. Finally, Article 17 of Law 2873/2000 (285 / A) established in each administrative region a Regional Council National Endowment that advises on all matters on which, in accordance with the provisions of Law 2030/1939, the views of the Council of the National Endowment Committee <sup>[10]</sup>.

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7 Kokkinakis (1999) &Theodorou (1992).

8 Tsodoulos (2010), 103-4.

9 Beneki (2013).

10 Tsodoulos (2010), 90 ff.

Recently, in September 2013, <sup>[11]</sup> a new law on foundations was voted in by the Greek Parliament. <sup>[12]</sup> The main purpose of the new code is the modernisation of the legislative framework utilities. This is achieved with the introduction of a set of ideas, namely:

- a) Establishing the Property Registry and Public Welfare Register to implement the constitutional provision of Article 109, paragraph 3.
- b) Establishing a regular, annual audit of all property and inheritance. Given that this duty is not possible to be done by the Public Service, audit firms have to operate on the basis of the law. 3693/2008 and are certified and will take over there audits. The post audit is completed by the economic inspections carried out by the Ministry of Economics.
- c) Introducing rapid and effective procedures – where necessary – to operate precautionary audits to the administration and liquidation bodies.
- d) Founding a register of persons and legal bodies, which will have the infrastructure and know-how to act as trustees, executors and in-house managers of communal properties.

## 1.3 The foundation landscape

The institutions are divided, according to the will of the testator, into two categories: the independent institutions that were founded for the first time and acquire a legal personality by presidential decree approving this foundation, and an endowment that is managed by an existing legal entity (e.g. a university, church or local authority), always according to the will of the benefactor.

The total number of the foundations in Greece is calculated to be as many as 380. Although there are no registers for the total number of foundations in Greece, they have been identified based on the address books belonging to the Ministry of Economic Affairs. However, according to the latest legal conditions a register has to be organised. So far, however, there have only been certain address books at the Ministry of Economic Affairs, which do not include all the Greek foundations, because the peripheries were until now responsible for the monitoring and controlling the foundations in their area. The number of 380 was calculated based on the research undertaken during this project (via the Internet, the press and through contacting governmental authorities).

There are two types of foundation, based on their legal status, as mentioned above (independent foundations or endowments). They are founded by wealthy ship-owners or different kinds of businessmen (bankers, land-owners etc.). The categories that belong to the foundations in Greece are presented as follows:

### Endowments

There are a lot of cases that are ruled by the University of Athens or the Academy of Athens, giving scholarships for post-graduate, doctoral or post-doctoral studies. Other endowments are ruled by local or church authorities, funding mostly students with a specific geographical origin.

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11 <http://www.taxheaven.gr/laws/law/index/law/536> (last visit September 1 2014).

12 <http://www.hellenicparliament.gr/UserFiles/2f026f42-950c-4efc-b950-340c4fb76a24/k-klhro-eis.pdf> (last visit September 1 2014). This is the report that explains the reasons for the new laws.

Foundations affiliated to nonprofit institutions

Forth is the most important example in this category, which is affiliated to the University of Crete. This is an operating foundation seeking funding from governmental, European or national programmes.

### **Corporate foundations**

In this category there are a few foundations in Greece, mostly affiliated to the most important Banks, such as PIOP (Cultural Foundation of the Peiraeus Bank Group) or the Foundation of the National Bank of Greece. A few years ago there were more foundations in this category, but the merging procedures in the banking sector after the financial crisis also led to the merging of these foundations. These foundations are related to the corporate social responsibility goals of their founders. They are usually orientated towards the support of Greek culture (exhibitions, editions, art collections, museums, historical archives etc.) or cultural events in general. The Costopoulos Foundation also started its activities as a corporate foundation of the Bank, owned by the Costopoulos family. However, as a result of their merging, it currently belongs more to the following category (private donor driven foundations).

### **Private donor driven foundations**

In this category belong the biggest foundations in Greece, such as the Onassis Foundation, the Latsis Foundation and the Niarchos Foundation. They were established by wealthy Greeks in order to promote their names in the Greek society, following the tradition of the Greek benefactors of the 19th century. The activities of these foundations are orientated towards the support of research in some cases, but also the touristic promotion of Athens or other regions in Greece in the last five years, so they are making efforts to reduce the results of the humanitarian crisis, supporting the weakest social groups, who were more vulnerable to the results of the financial crisis.

### **Public foundations**

There are also foundations in this category in Greece. NHRF was founded by the Greek government in 1958 following the model of CNRS in France in order to promote research in Greece. However, during the the last five years, the ongoing the financial crisis has affected the government's funding for NHRF, and the research institutes are currently basing their research on European or private funding. There is also another case, the Foundation of Greek Culture, that focuses on the promotion of Greek culture and language abroad. However, this foundation has also reduced its activities during the last five years, as it is funded by the Greek government.

### **General landscape**

In some cases – especially in cases where landed property is the initial fund of a foundation – endowments are founded that are controlled by universities and local or church authorities. They focus mainly on the promotion of education locally, providing scholarships to high-school and bachelor students with a specific geographical origin.

During the last few years since the financial crisis, some of the most important foundations in Greece have also focused their activities on humanitarian crises, especially in collaboration with municipalities, or with other local authorities or with the Greek Orthodox church, which has always played an important humanitarian role in Greece.

There are also some examples of foundations that focused their interest on the promotion of Athens as an urban centre, funding for example a new cultural centre that will include the new building of a National Library in Athens and the building of a new Greek Opera (Niarchos Foundation) or the funding of an international contest for the transformation of the Central Avenue in Athens (Panepistimiou av.), which links the two central squares in Athens (Syntagma and Omonoia) into a pedestrian zone by the Onassis Foundation.

Moreover, PIOP (Foundation of the Peiraus Bank Group) has added to its museums in Greece with a new building in order to house its Historical Archive in a neighborhood in southern Athens with very few cultural points. This building (originally a factory) is the latest addition to the cultural map of Athens, hosting different cultural events.

The main goal of the above-mentioned interventions is to upgrade the cultural and touristic profile of Athens, which after the summer Olympic Games of 2004 was gradually diminished.

Research and Innovation is low on the list of priorities of Greek foundations with a few exceptions such as the Latsis Foundation, which focuses its activities into the promotion and funding of research in Greece. It is difficult to reach a conclusion on the number of foundations that support research and/or innovation in Greece, because of the lack of detailed databases.

## 1.4 Research/Innovation funding in Greece

In Greece, the major contributor in terms of research and/or innovative activities is the European Union through national framework programs during recent decades. The role of foundations is small in specific sectors. Moreover, the national government has been subsidising such activities.

Until the recent economic crisis, the Greek economy in general was growing at a faster rate than the economies of most of the other EU Member States and the United States, notably during the period immediately after joining the European single currency (between 2002 and 2005). Greece made clear progress in improving its scientific quality and it benefitted from an expanding global value network. However, between 2001 and 2007 (the latest available year), R&D intensity in Greece never exceeded 0.60 %, with a very low business R&D intensity (0.15 % in 2000 and 0.17 % in 2007).

The latest data available for Greece date back to 2007. R&D intensity in Greece was stagnating at around 0.60 %, and was marked by a particularly low business R&D intensity which increased at an average annual rate of 2.3 % between 2000 and 2007. In 2011, Greece set an R&D intensity target of 2 % to be achieved by 2020, but this target was cancelled at the end of 2011 due to budgetary constraints and to the economic crisis. No new target has yet been announced.

The main supporting driving force behind the Greek research and innovation system is related to the Cohesion policy. The core operational program 'Competitiveness and Entrepreneurship' has a total budget of EUR 1.52 billion, of which the Cohesion policy provides EUR 1.29 billion (EC contribution). The operational program has three strategic objectives for the period 2007–2013, with Research and Innovation as one of the major areas.

Greece is below the EU average in terms of most of the dimensions of its R&I system, namely in human resources, scientific production and technological development. However, it scores above the EU average for innovative SMEs in introducing marketing, organisational and product or process innovations.

The General Secretary of Research and Technology, in May 2011, defined a new strategy for R&D and innovation. A number of main areas of strategic importance have been defined as national priorities: 1) agriculture and food, 2) information and communication technologies, 3) materials/chemicals, 4) energy–environment, and 5) the health/biomedical sectors. The process for meeting those priorities (and serving the country's research needs) is based on four dimensions: (1) strengthening and supporting the scientific/research personnel and research infrastructure; (2) encouraging links between the scientific/research community and businesses and entrepreneurs; (3) supporting bilateral, European and international collaboration; and (4) outreach and education for research in the community (particularly for young people). Each of these dimensions will be implemented through a series of calls for proposals. In addition, a 'Policy Mix Project' formed of six routes to stimulate private R&D investment is still ongoing.

Greece traditionally has a very low business R&D intensity, which is directly linked to two main structural features of the economy: the small size of the firms and the sectoral composition of the economy (mostly low-tech and medium-low-sectors). Nevertheless, Greece has maintained a regular presence on the EU Industrial R&D Investment Scoreboard since 2005, with four to six companies a year in the top 1000 R&D EU investors, mainly in three sectors: ICT, pharmaceuticals, and services (leisure, travel). These firms increased their R&D investment in 2009 and 2010, by 5 % and 3.2 %, respectively.<sup>[13]</sup>

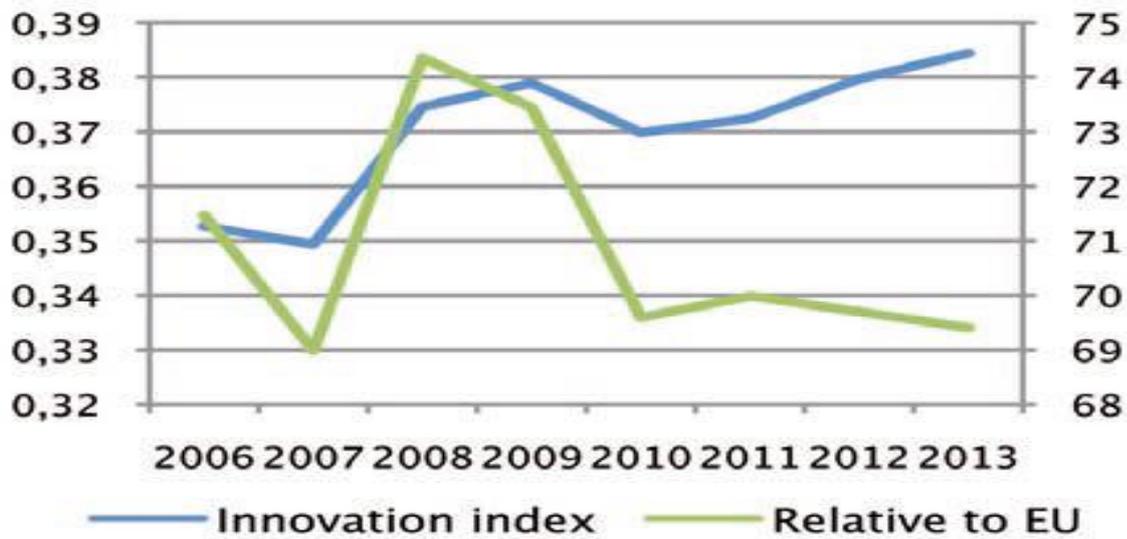
Greece is considered to be a Moderate innovator, along with Croatia, the Czech Republic, Hungary, Italy, Lithuania, Malta, Poland, Portugal, Slovakia and Spain, based on the average innovation performance of the Member States.<sup>[14]</sup>

Greece's growth performance (1.2%) is below that of the EU, and for these countries the performance gap with the EU has increased.

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13 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/greece\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/greece_2013.pdf) (Last accessed 1 September 2014).

14 [http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014-summary\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014-summary_en.pdf) (Last accessed 1 September 2014).



Over time its innovation performance has been improving. The country experienced a slowdown in 2010, but the innovation performance has once again been increasing, and in 2013 the innovation index reached a new peak level. Growth, however, is below that of the EU. The relative performance to the EU dropped from 74 % in 2008 to almost 69 % in 2013. For most indicators, Greece performs below that of the EU average, particularly for non-EU doctorate students, community designs, venture capital investments and R&D expenditure in the business sector. Greece performs above the EU average on international scientific co-publications, the sales share of new innovations and SMEs with Marketing and/or Organisational innovations. Growth, on the other hand, has been improving for most indicators in Greece. The highest growth indicators are observed for community designs, community trademarks, the sales share of new innovations and international scientific co-publications. Growth has declined in non-R&D innovation expenditure and venture capital investments. <sup>[15]</sup>

15 [http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014_en.pdf) (Last accessed 1 September 2014).

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

The identification of the foundations that support R&I was based on the 'snowball strategy' by using information from the press as well as the Internet, since there are no registers or databases online or locally. There is only an address book at the Ministry of Finance, which is not, however, sufficient. Therefore it was necessary to search online about foundations, using in particular websites that mention potential scholarships or prizes for researchers (these keywords were used). Moreover, there was a search for foundations with keywords such as foundation or foundations, or research and innovation in Greek. The keywords used were foundation, scholarship, research, and innovation.

Moreover, philanthropic studies is not an academic discipline in Greece and therefore the academic literature on this issue remains limited. <sup>[16]</sup> Moreover, there are some editions that are dedicated to the activities of specific Foundations. There is also a book on nautical endowments on the island of Andros which contains an introduction to philanthropy in 19th and 20th century Greece. <sup>[17]</sup> Therefore, the academic literature on the subject is also poor and not supportive in the direction of the identification of foundations that support Research and Innovation.

This research was limited to the Internet and the press, in order to verify the activities of some foundations; their presentation in the press reconfirmed that they rare still active; on the contrary, in other cases some foundations were found to be no longer active. Furthermore, according to Greek law, the foundations have to publish their annual budget in the press; in some cases they were used in order to verify that were remaining active. Out of the total population of foundations in Greece that was calculated at approximately 380, 100 were excluded because they did not fit the following criteria:

- Foundations that support research
- Foundations that support innovation
- Foundations that support research and innovation
- Foundations with unclear purposes

Therefore, the potentially Research and Innovation foundations in Greece was calculated as 280.

## 2.2 Survey

Following the above-mentioned criteria, we sent the online questionnaire to 180 foundations and the postal questionnaire to 100 foundations. Out of the 380 foundations in Greece – this is the total number

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<sup>16</sup> There is an old un-published Ph.d. thesis, and the rest of the publications concern the history of specific foundations or the history of their founder. See Tsakouris (1995) and the rest of the bibliography.

<sup>17</sup> Beneki (2013).

of Foundations that could be identified during the present research – in some cases it was not possible to ascertain whether they support research and innovation or not, and therefore it also was decided to address the questionnaire in these cases. In other cases it was clear that the foundations do not support research and/or innovation and the questionnaire was not sent to them. Therefore, from a total of 380 foundations, the questionnaire was sent to 280 foundations with limited expectations in some cases. From this number only 10 responded, and 6 identified themselves as foundations that support Research and Innovation. However, the biggest foundations in Greece did not answer the questionnaire. The results of the online survey was not sufficiently representative of the types of foundations in Greece. It seems that the foundations with the biggest impact on Research and Innovation prefer not to provide financial data, and therefore the foundations that responded to the questionnaire were not representative at all.

## 2.3 The interviews

Due to the poor results of the survey, the interviews were conducted or information was taken from the Internet about the major foundations of the country in terms of the different types of foundations. The type of information used in this case was not financial, and is therefore public.

The selection of the interviewees was guided by the preliminary information on the major types of R&I foundations. In order to conduct an interview with a representative from all the important kinds of foundations, selected potential interviewees were selected from every major type, without, however, an overlap between the foundations that participated in the online survey.

The list of the selected foundations is as follows:

1. A very large grantmaking foundation with an international prestige: the Onassis Foundation and/or J.Latsis Foundation.
2. A very large foundations with an international prestige that does not support mainly Research and Innovation: S.Niarchos Foundation.
3. A very large operating foundation mainly financed (and more or less controlled) by the national government: the National Hellenic Research Foundation.
4. A grantseeking foundation closely connected to a State-run research institute, hospital, university or university department. Its major activity is to raise funds in order to support research in the public institution: the Foundation of Research and Technology (FORTH).
5. A foundation mainly or exclusively dealing with the dissemination of research findings: the Cultural Foundation of Peiraeus Bank Group.
6. A foundation supporting outstanding scholars and/or very talented young researchers through giving highly prestigious awards: the Foundation PROPONTIS.
7. A small grantmaking foundation created in remembrance of scholars known in some profession or in a relatively narrow academic community: the Bodosaki Foundation
8. A corporate foundation supporting research and innovation in the field of interest to its founder: the J.Costopoulos Foundation.

# 3 Results

## 3.1 Types of foundations

There are all types of foundations in Greece. More specifically, endowments are ruled by municipalities, church authorities or universities and independent foundations. Unfortunately, the data collected from the online survey cannot support a presentation of the absolute figures or percentages between the populations of Greek foundations. However, there are independent foundations that are considered to belong to the most prestigious and influential foundations in Greece. More specifically:

Very large grantmaking foundations with an international prestige such as the Onassis Foundation and the J.Latsis Foundation (see chapter 4).

Very large foundations with an international prestige that do not support mainly Research and Innovation such as the S.Niarchos Foundation (see chapter 4).

Very large operating foundationd mainly financed (and more or less controlled) by the national government such as the National Hellenic Research Foundation (see chapter 4).

Grantseeking foundations closely connected to a State-run research institute, hospital, university or university department. Its major activity is to raise funds in order to support research in public institutions such as the Foundation of Research and Technology (FORTH) (see chapter 4).

Foundations mainly or exclusively dealing with the dissemination of research findings such as the Cultural Foundation of Peiraeus Bank Group (see chapter 4).

Foundations supporting outstanding scholars and/or very talented young researchers through giving highly prestigious awards such as the Foundation Propontis.

The Foundation Propontis still supports (for 15 years in a row) young researchers for post-graduate (Master's or DEA) and doctoral studies abroad in different disciplines (Maritime Studies, Maritime Law, Shipbuilding and Marine Engineering, Architecture, Biology, Mathematics, Physics, Computer Science, Economic, Political and Social Sciences)

Small grantmaking foundation created in remembrance of scholars known in a certain profession or in a relatively narrow academic community such as the Bodossaki Foundation.

The Bodossaki Foundation still supports young researchers for post-doctoral studies in different disciplines (energy technology, environmental engineering, different specialisations in medicine such as anosiology, genetics, cancer, neurology etc.) in the name of its former President S.Mantzavinos.

Corporate foundations supporting Research and Innovation in a field of interest to its founder such as the J.Costopoulos Foundation.

The Costopoulos Foundation seeks to strengthen and promote Greek culture, literature and the arts inside and outside Greek territory, following the example and interests of its founder. Its support for research focuses more on the research into the cultural heritage of Greece.

Moreover, there are foundations, founded by the State, banks or wealthy people. Furthermore, as previously mentioned, there are endowments that are ruled by universities, church authorities and municipalities or other local authorities.

More often the foundations were founded by individuals or families (10/14) rather than other nonprofit organizations (2/14), the government (1/14) and corporate (1/14), but in most cases they are ruled by a board with appointed members, who mostly support Research and Innovation

In the sample of the questionnaires completed online the majority of the foundations are operating (3/4) rather than both grantmaking and operating (1/4). The rest of the cases mentioned above, however, are grantmaking (6/9) rather than operating (2/9), or both grantmaking and operating (1/9). In total it can be calculated as follows:

**Table 1: Operating and grantmaking foundations**

Number of foundations	13
Operating	5
Grant-making and operating	2
Grant-making	6

### 3.2 Origin of funds

The major Greek foundations did not provide any financial data, and therefore this section isn't representative of the absolute figures. The total income of the answers filled in is approximately EYR 1 200 000. This total amount came from profit organisations. However, there is an undefined amount used by other foundations, that their income comes from individuals (1 case), from an endowment (2 cases), other nonprofit corporations (1 case), from the government (2 cases), service or fees (1 case) and from other sources (1 case). No information about their assets were provided during this survey.

Statistics Income	
Number of foundations	2
Total Income in Euros	1 210 224.67
Origin of income	
Number of foundations	8
Individuals	1
Endowments	2
Other nonprofit corporations	1
Government	2
Services or fees	1
Other sources	1

### 3.3 Expenditure

The major Greek foundations did not provide any financial data and therefore this section is not representative of the absolute figures. According to the questionnaires completed online the total expenditure was 1 210 224.67 Euros.

Expenditure	
Number of foundations	2
Total Expenditures in Euros	1 210 224.67

100 % was related to research (90 % related to direct research activities and 10 % to research -related activities). 75 % of the total amount was spent on grants and prizes and 25 % on their own operating costs. The applied research was funded rather than basic research (85 % to 15 %). There is only one project related to innovation, which is called Hydrobot and is a water robot sent to 100 schools and built by the students as a class project. In most cases there is a change in the funding amount, with a decrease of up to 10 %, and in some cases it is expected to decrease by 5 % to 70%. There is only one case with an increase of 30 %, and this is expected to increase further to 20 %. Only one foundation provided information about their expenditure spent on research. Its total was EUR 1 200 000.

### 3.4 Focus of support

The focus of support based on the survey is not clear. The scientific fields are almost equally represented (only in Agricultural Sciences does it seem to be more in focus. However, the sample from the interviews makes sure that there is also a more intense focus on the Humanities. The biggest foundations in Greece focus on supporting cultural events, or recently they have been making an effort to diminish the humanitarian crisis in Greek society (the Onassis, Niarchos and Latsis Foundations). The Costopoulos Foundation also focuses its support on research into cultural heritage.

The amount spent on research in 2012 (based on the questionnaire completed online) was equally distributed between different research-related activities (Technology transfer, Infrastructure and equipment, Science communication/education, Civic mobilisation/advocacy) with a focus, however, on the dissemination of research. The support for research-related activities by the most important foundations in Greece is shared between the support for the Humanities and Social science, and Medical and technological sciences (refer to the Latsis Foundation case in chapter 4).

### 3.5 Geographical dimensions of activities

There are a lot of local endowments that focus mainly on the support of young scientists of local origin, focusing more on a regional/local level. However, only one (1/3 foundations) answered the questions in the online questionnaire relating to the geographical dimensions of their activities that support more on a regional/local level (70%).

The majority of the responses were concerned with activities on a national level (2/3 foundations); up to 80 % (also in other cases 60 % and 25%). The activities of the foundations on the European (2.5 %, 20 % and 30 %) and international (10 % and 2.5 %) level are also poorly represented. However, foundations such as the Onassis Foundation support research internationally, as well as Greece-oriented research (see chapter 4). The rest of the biggest foundations in Greece focus on national-level activities, although they did not provide accurate data.

From the European Union more investment is expected in an information infrastructure through databases and less provision of fiscal facilities or a structure to enhance collaboration and to provide a legal framework in foundations.

### 3.6 Foundations' operations and practice

In the majority of cases they are ruled by a board with appointed members; there are also cases of governing boards with elected members, or when the original financial founder is still governing the foundation (all nine foundations mentioned above). All of them have paid staff. Moreover, even operational foundations, such as NHRF have a large number of employees.

#### Example of an operational Foundation's profile of employees

Even NHRF – an operating institute, supported by the Government – has around 450 employees (both permanent staff members and personnel in externally funded research projects), of whom 85 % are university graduates with the majority of them having a PhD. In addition, NHRF acts as an Educational Centre for undergraduate students, postgraduate students and postdoctoral researchers. In particular, NHRF hosts, supports and trains young scientists (approximately 100 per year), who write dissertations, carry out doctoral research (in collaboration with Greek universities), as well as producing post-doctoral papers within the framework of externally funded projects. Finally, a large number of researchers are involved in teaching within the framework of undergraduate and postgraduate programs of Greek and foreign universities.

Although due to the poor response rate to these questions, the situation does not seem to be any different from these results. This is reinforced by the results of the research on the biggest foundations (e.g. the Latsis foundation, see chapter 4). More specifically, it seems that foundations actively search for projects, prefer small grants for multiple organisations, demand evidence on how the grants have been spent, and appoint evaluators to assess whether a grant was successful and why.

The majority of the foundations are engaged in partnerships with other foundations (such as the FORTH and Onassis Foundations, see below and chapter 4), universities,

services of the Government (such as NHRF, see chapter 4) and hospitals (in that order).

### **Example of a partnership between foundations**

The Onassis Foundation, in association with the Foundation for Research and Technology Hellas (FORTH) of the University of Crete, organises an annual series of high-level scientific lectures; The Onassis Foundation Science Lecture Series. The lectures cover the following applied sciences fields: physics, chemistry, biology, mathematics and computer science. The lecture series are week-long and aims at the further education and advancement of young Greek scientists, both graduates and post-graduates. The lectures, which take place in July at the FORTH premises in Heraklion, Crete, are given in English by internationally acclaimed scientists, and are supplemented by lectures given by Greek scientists, distinguished in their corresponding fields. This activity promotes the dissemination of the results of their research and the development of research in this specific Research Institute.

Moreover, foundations seek other partnerships or collaborations, such as the NHRF.

### **Example of the types of collaboration and provision of services: the NHRF.**

The promotion of collaboration between and the provision of services towards industry, enterprises and the wider public sector, constitute a fundamental issue for the development of the NHRF. This is accomplished through the following actions:

The mapping out of the services and products that the NHRF can provide; the identification of potential users of the services and products of the NHRF → mapping out of the potential market; the support of researchers in their collaboration with other research institutes or industries; the support of researchers regarding issues of intellectual property, entrepreneurship, technology transfer etc.; networking with other organisations of technology transfer in Europe; the promotion of the research and overall activities of the NHRF to the general public as well as to other research organisations in Europe.

The NHRF has a long history in representing the country in international scientific organisations or other international fora on research and technology, and maintains scientific collaborations with numerous academic and research organisations in the country and abroad. In particular, the NHRF has developed significant activities in scientific exchanges with their counterparts abroad, including the Orebro University in Sweden, the Northeastern University in Boston, Massachusetts, the Centre National de la Recherche Scientifique (CNRS), the Royal Society of London, the Bulgarian Academy of Sciences in Sofia, the Committee of Scientific Research in Spain and the National Institute for Scientific Research in Portugal, to name but a few.

Furthermore, the three Research Institutes have established a long-term cooperation with a large number of organisations (over 245) and researchers at an international level, whereas most of the Foundations' researchers represent the country on international committees and fora.

Since 2004 the NHRF has been a member of the European Network 'EURAXESS Services', an important institutional tool of the European Commission, which supports European policies related to the development of the European Research Field.

### **3.7 Roles and motivations**

The foundations see their role in the support of Research and Innovation mainly as complementary to public support, and only in some cases do they consider themselves as initiating or even substituting. The grants given by the Latsis Foundation (see chapter 4), for example, fund mainly research in its initial stages, which could seek further funding later. In other cases of the same Foundation the research funded is small and concludes with this funding. Therefore, in this case the Foundation substitutes other funding sources.

# 4 Innovative Examples

In this chapter there are presented examples of foundations that support Research and Innovation in Greece. The innovative examples were selected based on their effects on Greek society. Unfortunately, none of them answered the questionnaire. The examples of the foundations were selected based on research in the Greek press and the Internet, and the most commonly-mentioned on Google, but also known by the academic community in Greece as examples of foundations that support Research and Innovation. Their impact and influence on Greek academic society is bigger as compared to other foundations.

## A. The Onassis Foundation <sup>[18]</sup>

### Profile

The Alexander S. Onassis Public Benefit Foundation was established in December 1975 in accordance with Aristotle Onassis' last wish to honor the memory of his son, Alexander. The Alexander S. Onassis Public Benefit Foundation's headquarters are located in Vaduz, Liechtenstein, as directed by Aristotle Onassis' will. Culture, education, the environment, health, and social solidarity come first on the agenda of the Alexander S. Onassis Public Benefit Foundation. All the Alexander S. Onassis Public Benefit Foundation's projects relate to Greece or Greek culture and civilisation.

### Innovative initiatives

The Onassis Cultural Centre of the Foundation, which began its operations in Athens in the autumn of 2010, is expected to absorb a large portion of the Foundation's resources. Its extremely promising schedule of activities has been strategically planned on a long-term basis, aiming to serve and promote Greek and foreign culture, Letters and Art. The International Conference entitled 'The Athens Dialogues' was the inaugurating event of the Onassis Cultural Centre-Athens in November 2010. The Athens Dialogues now operate as an autonomous research program. Professors and researchers from all levels, as well as artists and intellectuals that are either related to or inspired by ancient Greek culture – directly or indirectly – have the opportunity to become members of a scientific and social network, active through the Conference's website. Inside, they are able to look for research programs and financial support for the purchase of books for their university libraries, all in favour of their instructional activities. They can submit their candidature for the participation in the University Seminars Programme operated by the Affiliated Onassis Foundation in the United States, while they will be offered the opportunity to make a community in order to cultivate fruitful scientific collaborations.

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18 <http://www.onassis.gr/> (Last accessed 1 September 2014).

## B. The John S. Latsis Public Benefit Foundation

### Profile

The John S. Latsis Public Benefit Foundation <sup>[19]</sup> is responsible for managing and implementing the public benefit works of the Latsis family both in Greece and abroad, thus continuing the public service tradition of John S. Latsis. Its activities are mostly oriented towards the fields of education, scientific research, social welfare and culture. Although the Foundation has an international presence, the geographical focus of its funding is primarily in Greece. Its activities are grouped into two general categories: the programmes designed and implemented by the Foundation itself, and the third party initiatives it finances. In both cases, the Foundation endeavours to regard the organisations it funds as partners, providing not only financial assistance, but also constant support to create synergies as well as to ensure, in each case, the maximum utilisation of funds.

### Innovative initiatives

Since 2008, the John S. Latsis Public Benefit Foundation has included among its activities the funding of one-year research projects. The main purpose of the Foundation's initiative is to advance research activities in a wide range of scientific fields in Greece and to promote collaborations between Greek and foreign universities and research foundations. In this context, the Foundation issues an annual open call, which outlines the terms and conditions for participation. Until today, the Foundation has funded: 10 projects in 2008 (7 projects pertaining to Social Sciences and the Humanities and 3 to Physical and Engineering Sciences); 15 projects in 2009 (equally distributed between the three scientific fields); 21 projects (equally distributed between the three scientific fields); 19 projects in 2011 (6 projects pertaining to Social Sciences and the Humanities, 6 to Life Sciences and 7 to Physical and Engineering Sciences); 17 projects in 2012 (6 projects pertaining to Physical and Engineering, 6 to Life Sciences and 5 to Social Sciences and the Humanities); 18 projects in 2013 (equally distributed between the three scientific fields). Each project was financed by up to EUR 12 000.

Another remarkable activity, related to the promotion of research are the Latsis prizes. The Latsis Prizes have been awarded each year since 1983 to 4 researchers under 40 years of age, and consist of 25 000 Swiss francs each. They are presented in recognition of the laureate's scientific contribution and as encouragement for their future progress.

## C. The National Hellenic Research Foundation

### Profile

The National Hellenic Research Foundation <sup>[20]</sup> was founded in 1958 originally under the name 'Royal Research Foundation'. It is a nonprofit Research Foundation supervised by the General Secretariat for Research and Technology (GSRT) of the Ministry of Education and Religious Affairs in Greece.

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<sup>19</sup> <http://www.latsis-foundation.org/> (Last accessed 1 September 2014).

<sup>20</sup> <http://www.eie.gr/> (Last accessed 1 September 2014).

Today, the NHRF consists of the following Institutes and Units: the the Institute of Historical Research (IHR) , Institute of Biology, Medicinal Chemistry and Biotechnology (IBMCB), the Institute of Theoretical and Physical Chemistry (TPCI) and the National Documentation Centre (EKT). The NHRF is governed by a Board of Directors and the Central Administration is under the Director/Chairman of the Board.

The NHRF is carrying out around 180 research programs funded by the European Commission, the Greek General Secretariat of Research & Technology, public organisations and private enterprises. During the period 2005-2012, the overall budget of the programs amounted to EUR 25.5 million s, which were carried out through collaboration with more than 100 partners from Greece and abroad.

The NHRF has become a key player both on national and international levels in the development of new scientific knowledge. The Institute of Historical Research (IHR) is at international level one of the most important places for the study of Greek archaeology and history (ancient, medieval and modern) and, at the same time, a unique infrastructure of national importance.

Finally, the EKT (National Documentation Center), as an extrovert organisation bringing cutting-edge practices and technologies into the country, thrives on extensive international collaborations. They comprise participation in specialised networks, such as the NCP Networks (National Contact Points), Technology Advancement Committees (e.g. the Committee for the Development of Current Research Systems), numerous European Projects, professional organisations (e.g. the Open Access Scholarly Publishers' Association), among others. The EKT has a leading role in some of these networks, initiatives and/or projects: it co-ordinates the European Network for Research Infrastructures National Contact Points (EuroRis-Net 2007-2013), as well as the FP7-funded project Mediterranean Open Access Network (MedOANet) and the Enterprise Europe Network-Hellas, and serves as s National Open Access Desk for Greece, ensuring the compliance of Greek FP7 & Horizon2020 grant recipients comply with the EC's open access.

### **Innovative initiatives**

'Natural Science' Institutes have excelled in their individual fields of study, whereas, within the framework of the strategic policy of the Foundation, they optimise the potentials for synergies due to their spatial and scientific proximity. In addition, the human capital as well as the logistical infrastructure for the common development of innovative interdisciplinary basic research actions and applications is also present. Both the Humanities and the Natural Science Institutes collaborate closely with the National Documentation Centre in joint activities, thus increasing the potential and the outreach of the research carried out at the NHRF. Therefore, the dual scientific identity of the NHRF due to the successful coexistence of the Humanities and Natural Science Institutes affords a unique advantage and achievement on the national level, and increases its competitiveness abroad. Regarding their achievements, the NHRF's Institutes have been awarded several times the Excellence of Science Grant 'Aristeia' following assessments carried out by international committees appointed by the GSRT.

## D. FORTH

### Profile

The Foundation for Research and Technology-Hellas (FORTH), <sup>[21]</sup> established in 1983, is one of the largest research centres in Greece with well-organised facilities, highly qualified personnel and a reputation as a top-level research foundation worldwide. FORTH reports to the General Secretariat for Research and Technology of the Hellenic Ministry of Education and Religious Affairs. The Foundation, with headquarters in Heraklion (Crete), includes six Research Institutes in different parts of the country: in Heraklion there are the Institute of Electronic Structure and Laser (IESL), the Institute of Molecular Biology and Biotechnology (IMBB), the Institute of Computer Science (ICS) and the Institute of Applied and Computational Mathematics (IACM). In Rethymnon (Crete), there is the Institute for Mediterranean Studies (IMS). In Patras (Peloponnese) there are the Institute of Chemical Engineering Sciences (ICE-HT) and in Ioannina (Ipeiros) the Division of Biomedical Research of the Institute of Molecular Biology and Biotechnology (IMBB). FORTH's activities are complemented by the Crete University Press (CUP), the Skinakas Observatory, the Science and Technology Park of Crete (STEP-C) and the PRAXI/HELP- FORWARD Network.

### Innovative initiatives

FORTH has established the following awards for persons, related mostly to research:

The 'Vassilis Xanthopoulos - Stephanos Pnevmatikos' Award for Excellence in Academic Teaching has been awarded yearly since 1991 by the Foundation for Research and Technology - Hellas (FORTH).

The 'Stephanos Pnevmatikos' International Award for Research in Nonlinear Phenomena in the fields of Nonlinear Physics, Mathematical Physics and Nonlinear Disordered Systems has been awarded every two years since 1992 by the Foundation for Research and Technology – Hellas (FORTH) in memory of the late Professor Stephanos Pnevmatikos.

The 'Vassilis Xanthopoulos' International Award for research on Gravitational Physics has been awarded every three years since 1991 (during the General Relativity and Cosmology Society Conference), by the Foundation for Research and Technology – Hellas (FORTH), in memory of the late Professor Vassilis Xanthopoulos.

The Foundation for Research and Technology – Hellas (FORTH) funds the 'Pichorides' Distinguished Lectureship, a short-term visiting position at the Mathematics Department of the University of Crete. The award was established in memory of the late Professor Stylianos K. Pichorides.

The Institute of Chemical Engineering and High Temperature Chemical Processes of FORTH (ICEHT/FORTH) has created since 2005 the 'Stratis V. Sotirchos Lectureship', to honour the memory of one of its most distinguished Researchers, Professor Stratis V. Sotirchos.

Moreover, it has established scholarships; the Pichorides Postgraduate Scholarship is awarded by the Institute of Applied and Computational Mathematics (IACM- FORTH) to the students who receive the best

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21 <http://www.forth.gr/> (Last visit September 1 2014).

marks at the entry exams for Postgraduate Programs at the Department of Mathematics in the University of Crete, and/or to those who receive the best marks during the first year of their postgraduate studies at the abovementioned department. Furthermore, the Institute of Computer Science of the Foundation for Research & Technology-Hellas (FORTH) has established, since the academic year 2007-2008, distinguished undergraduate scholarships granted to the best undergraduate students at the Department of Computer Science at the University of Crete. These distinguished scholarships are granted in memory of Stelios Orphanoudakis, Professor in the Department of Computer Science at the University of Crete, Director of the Institute of Computer Science (ICS/FORTH) for a decade (1994-2004) and Chairman of the Board of Directors of FORTH from 2004, until his death in March 2005.

The establishment of these awards is unique in Greece, and therefore it is considered innovative for the support of research.

## E. The Piraeus Bank Group Cultural Foundation (PIOP) <sup>[22]</sup>

### Profile

Piop is a nonprofit institution that represents the Culture Pole of the Piraeus Bank Group. PIOP aims at safeguarding technology and traditional crafts, a neglected domain in Greek culture, becoming a reliable and constant mediator for the preservation and promotion of pre-industrial and industrial heritage. The Museums Network marks PIOP's outstanding contribution. It is an excellent example of the creation and management of museums in the Greek regions, while also ensuring sustainability and supporting regional development. Seven technological thematic museums have been created, whilst two more are on the way. These museums highlight distinctive productive activities, representative of each region, and, through their outreach activities, become a point of reference for the local population. Besides the expanded geographical span of the Network, it is also notable that these museums do not belong either to the Foundation or to the Bank, but to the Ministry of Culture and to the local government, whilst the PIOP has undertaken the commitment to funding and managing the Network for fifty years.

### Innovative initiatives

The Foundation focuses mainly on the promotion of research, as PIOP organises a multitude of academic events both at its headquarters in Athens and at its network of museums all over Greece. These events focus on recording and promoting industrial heritage and the in-depth study of the techno-economic aspects of modern Greek society. The organisation of these events is realised in collaboration with universities, scientific organisations and/or local agencies. One of the PIOP's scientific events is the organisation of the 'Three-day Working Meetings' dedicated to the basic sectors of traditional technology and economy. These events are aimed on the one hand at developing creative, cultural relations among the research institutions concerned with promoting historical research into the economy and technology, and on the other with the exchange of knowledge with agencies and enterprises seeking the historical prominence of the actions in their field. In this manner the connection between historical research and modern economic life is achieved, and historical research into the field of basic food and exporting Greek products has pro-

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22 <http://www.piop.gr/> (Last accessed 1 September 2014).

moted a collection of information and visual material, which ensures a documentation of the the history of each production field is compiled, and the results of all these studies are made available to anyone interested, as the PIOP edits and publishes their Proceedings.

# 5 Conclusions

## 5.1 Main conclusions

Philanthropic traditions in Greece are very strong and are connected to the problems inherited by Greek society after its independence in 1830. The Greek Benefactors of the Diaspora have played an important role since the beginning of the Greek State. Onassis was probably the last Greek of the Diaspora who followed this tradition. The tradition of the support of education was primarily a scope for all these benefactors creating philanthropic foundations.

The financial crisis forced some Greek foundations to stop their activities, as they were mostly dependent on State funding. Moreover, some significant foundations focused more on the humanitarian crisis rather than supporting Research and Innovation.

Therefore, the foundation sector supporting Research and Innovation initiatives is small and not that significant on the scale of R&I funding in Greece. The main sources for R&I funding in Greece are the State budget, EU programmes and private investment funds.

Public benefit grantgiving organisations are mostly focusing on Research and Innovation in public benefit areas such as education, culture, and history; in other words – social sciences and the humanities. They also support the resource intensive sciences such as agricultural science or medicine. The research did not reveal any foundations motivated by issues to be solved through research and/or innovation in Greece. Issue-driven institutes are usually State institutions or are affiliated to universities or other research institutes.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Greece

In Greece, due to the financial crisis there are a few very strong foundations such as Onassis, Latsis and Niarchos. Their focus, however, is not on the support of research and innovation, but more on the implementation of projects of public benefit (hospitals, cultural centres etc.). Nevertheless, it seems that their support through some innovative programs and collaborations, supports, along with governmental and European funding, Research and Innovation institutions. New collaboration schemes implementing educational programs between Foundations may lead to the collaboration between them in further support of Research and Innovation. Moreover, other research-operating institutions, such as FORTH and NRF seek funding, and despite the financial crisis, in 2013 there was a growth in research activity.

The new legal framework will help the reform of the administration of endowments and foundations, functioning under the Greek legal system. Moreover, a new law has been implemented in the last five years for the administration of universities, provisioning a Council, besides the other academic authorities. Among the duties of the President and the members of the Councils of the universities, there is also fund-raising.

This may be the biggest opportunity for the Greek research and academic system to be combined with the foundations in order to implement strategically important research projects and innovative services.

The main weakness of the sector is the lack of foundations driven by issues to be solved through research and/or innovation. Moreover, the stronger Greek foundations seek more prestigious ways in order to increase their impact on Greek society other than supporting Research and Innovation, since along with their activities there are business enterprises or business plans and projects, connected to the business activities of their founders. This represents a threat to the support of Research and Innovation in Greece, because it is important for the financial growth of Greece to increase its Research and Innovation sector.

### **5.3 Recommendations**

The foundation of an association of Foundations in Greece would be very useful for the organisation and the better use of funding. The existence of collaborations between some of the more important Foundations in Greece would favour such an initiative. The General Secretary of Research and Technology could be the coordinator of a similar effort.

Such an Association could disseminate the best practices in administration and fundraising among the foundations. It could also help in the transfer of know-how and best practice in supporting R&I from other European countries or the US. The connection with research institutions and universities, especially in the present legal framework, favours these collaborations.

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Hungary Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Éva Kuti

Research and  
innovation



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**Éva Kuti**

Association for Nonprofit and Social Studies



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# 1 Contextual Background

## 1.1 Historical background

There is a quite strong philanthropic tradition in Hungary. Besides the religious roots of charitable activities and some emotionalism that is part of the national character, this strength is explained by the collective experience gained throughout the country's turbulent history. Since the Turkish invasion and the formation of the modern European 'world-economy' had pushed Hungary into a backward position on the European periphery in the sixteenth century (Wallerstein, 1983:162-167), public needs and expectations were rarely met by the public authorities. The room for political movements and advocacy was very limited under the conditions of foreign occupation and internal oppression. Thus, the role of private contributions became crucial in facing social challenges. Donations are regarded as an important (and sometimes the only) source of financing independent actions, new initiatives and innovative approaches to the treatment of social problems. Consequently, Hungarians also have a liking for the foundation as an appropriate institutional form of raising, pooling, administering and making good use of private donations (Balázs, 1991; Czakó et al., 1995; Czike–Kuti, 2006).

The history of foundations is almost as long as that of the Christian State in Hungary. The first kings donated large properties to the Catholic Church and the religious orders they invited to the country. According to some analysts (Kecskés, 1988:110-111), these endowments (followed by many others from both kings and feudal lords) were the very first charitable foundations in Hungary. Independent lay foundations were also established from the beginning of the fifteenth century (Somogyi, 1941:93). Some co-operation between private foundations and public institutions emerged at an early stage and became fairly commonplace in the late 1800s. Numerous foundations contributed to the financing of public hospitals, schools, universities, orphanages and shelters (Balázs, 1991:85-89). Some regulatory measures from the early twentieth century also reveal that government authorities laid claim to the sources available from private philanthropy. This intention was apparent in Law XXXIV/1920, which declared the tax deductibility of bequests and donations for foundations engaged in scientific, educational and charitable activities (Balázs, 1991:82), as well as in some government decrees that tried to regulate and control private donations in the 1920s.

The development of any co-operation between the State and foundations was cut short by the Communist takeover after World War II. Communist governments regarded private initiatives as a threat to the monopoly of Marxist-Leninist ideology and to Party control over social movements. This is why Decree 474/1948 and Decree 2/1949 ordered that foundations had to be dissolved and their property was to be given to the central State or local government agencies (Kecskés, 1988:113). No legal form of foundation existed in Hungary between 1949 and 1987. However, the government recognised its failure to build a sustainable welfare system and the need for assistance from private donors well before the collapse of the Soviet bloc. The 'rehabilitation' of foundations came about due to both financial and social pressures.

When George Soros decided to promote democratisation in Central and Eastern Europe and sought to establish his first national foundation in Hungary in 1984 (Szabo, 2009:1470), only a pseudo-foundation could be created under the auspices of the Academy of Sciences. Ernő Rubik, the inventor of the Rubik's Cube, and several prominent artists had similar difficulties in finding an appropriate institution for their planned donations. They did not want to support government-controlled public institutions and insisted on establishing independent foundations. The government, which was facing many financial problems, could not (and perhaps did not even want to) resist these pressures. In 1987, it issued Decree 11, which modified the Civil Code and introduced once again the foundation as a legal entity (Kuti, 1996:41). The growth of the number of foundations was slow at first, but accelerated rapidly after the political changes of 1989.

The development of foundations supporting scientific activities started somewhat later than that of most traditional charitable foundations, but ran parallel with them from the fourteenth century. Donations traditionally played an important role in financing research and scientific institutions. In the beginning, these were almost exclusively higher education institutions. For example, the very first Hungarian university was able to attract prominent foreign scholars by offering them extremely high salaries<sup>[1]</sup> covered by donations (Petrovics, 2005:36). Hungarian scholars' international relations and foreign studies were also promoted by private donors. 'Surprisingly generous private individuals established large foundations in order to enable professors and students to make studies beyond the national borders, namely in Italy, Germany, and in the Netherlands' (Vekerdi, 1996:13).

The partial separation of higher education and scientific activities and the emergence of exclusive research institutions were also helped by private donations. The Hungarian Academy of Sciences itself owed its establishment to a generous offer by István Széchenyi, one of the richest, and definitely the most enlightened, aristocrats in the country. In 1825, he donated a whole year's income from his estate for the Academy to be created. Count Széchenyi's example was followed, not only by other magnates and noblemen, but also by entrepreneurs, municipalities, churches, and even schools and students. As a result, a significant endowment 'guaranteed the financial independence of the Academy and, in principle, protected its autonomy from all kinds of government interference' (R. Várkonyi, 2010:1422). Although on a smaller scale, similar donations helped the research activities of several scientific societies. It was quite common for scholars who were active members of these voluntary associations to pay no or a very small membership fee, while the costs of research activities, awards and conferences were covered by 'supporting members' and occasional donors (Tóth, 2005:177).

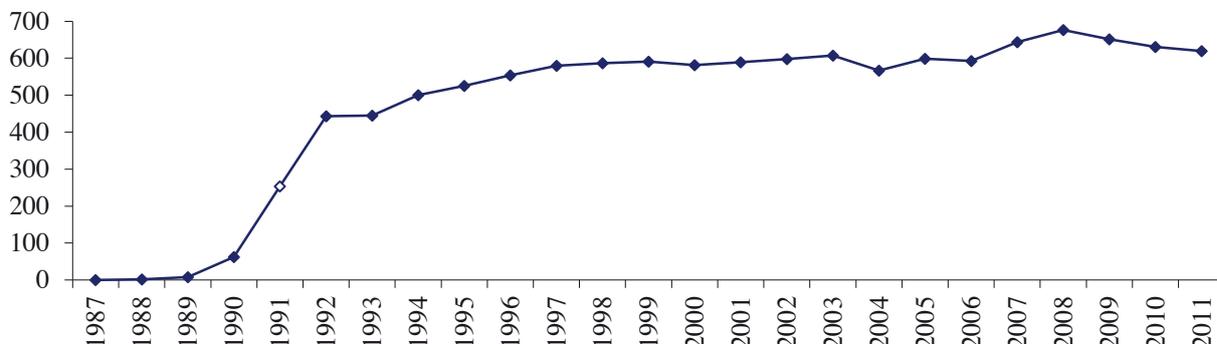
As far as innovation is concerned, foundations and voluntary associations played an important role especially in social innovation during the nineteenth century and the first part of the twentieth century. The first museums, libraries, exhibition halls, tuberculosis clinics, children's hospitals, kindergartens, comprehensive schools, employment agencies, and institutions of adult and women's education were all created either by them or with their assistance.

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1 The University of Pécs (established in 1367) lured the prominent jurist Galvano di Bologna to Hungary by offering him an income that was ten times higher than his former salary at the University of Padova.

Both research and innovation were controlled by the government under State Socialism. Private initiatives could (and did) gain momentum in this field only after the change in political system. In fact, the foundations focusing on research (and thus classified as research foundations according to the ICNPO <sup>[2]</sup>) mushroomed during the early 1990s (Figure 1).

**Figure 1: Number of foundations in the field of research, 1987–2011**



Sources: MASZ (1991), KSH (1994) and KSH (1995–2013)

roomed during the early 1990s (Figure 1).

The rapid growth of foundations was mainly (but not only) explained by the researchers' and their supporters' willingness to take the opportunity to freely establish independent organisations and to launch projects on their own initiative. The regulatory environment was also very favourable. The procedures of court registration were simple and free from bureaucracy and the administrative and accounting regulations were not yet fully developed. Foundations had to meet very few formalised conditions in order to receive indirect government support; their tax exemption and the tax deductibility of donations were practically unconditional until 1994. Since then, the regulations guiding the functioning of foundations have gradually become more detailed, more complicated and more differentiated <sup>[3]</sup>. In parallel, the tax advantages have been reduced. All these changes, together with the saturation effect, have resulted in a decrease in their growth rate. This slow-down was somewhat moderated by the creation of two new schemes supporting nonprofit organizations (NPOs) in the late 1990s and early 2000s. The first, the 1% system, let the taxpayers decide which nonprofit organizations should benefit from 1% of their personal income tax. The second, the National Civil Fund, was established in order to distribute public support through boards whose members were mainly elected by NPOs. The introduction of these new financing mechanisms was an important step towards the decentralisation and democratisation of the distribution of public support, but their impact could not counter the negative effects of the shrinking tax advantages and the shock of the economic crisis in the late 2000s.

2 The Hungarian Statistical Office uses a slightly modified version of the ICNPO (the International Classification of Nonprofit Organizations) developed by Salamon and Anheier (1996:136-140). Under this system, foundations are classified according to their main activity.

3 The most important element of this process of differentiation was the introduction of a voluntary public benefit test in 1997. NPOs passing this test could get public benefit status or (if they substituted for government agencies in service provision) the eminently public benefit status, thus becoming eligible for tax exemption and other privileges.

## 1.2 Legal and fiscal framework

Under Hungarian law, there are two legal forms of foundation, namely private and public law foundations.

*Private foundations* (named simply as foundations in the legal regulations) are organisations with some form of endowment, established to pursue lasting public purposes. Their founders can be either private persons or organisations with legal personalities. Their endowment must be big enough to cover the costs of starting the planned work and fund-raising activities. These foundations are managed by a board appointed by the founders, who are not allowed to have a significant influence on the decisions of this board. If a private foundation is dissolved, its property must remain in the same field serving the original public purpose.

*Public law foundations* are foundations established to take over certain government tasks that are defined in law as government responsibilities. They can only be founded by Parliament, the government or municipalities. The founders can initiate their dissolution if they think their functions could be more efficiently carried out by another organisation. The property of a dissolved public law foundation reverts to its founder. Apart from these special provisions, the basic legal regulations for private foundations also apply to public law foundations.

Both kinds of foundation are registered by the county and capital courts. Registration cannot be refused if all the legal requirements (durable public purpose, founding statute and endowment) are fulfilled. Registration can still be completed by a public benefit test at the request of the foundation, but its content was completely changed by Law CLXXV in 2011 (Sebestény, 2013). Just one degree has remained, known as the public benefit status, but this is only available for nonprofit organisations (including foundations) if they are engaged in the provision of welfare services defined by law (e.g. the laws on health care, education, social care etc.) as government tasks.<sup>[4]</sup> In addition, NPOs applying for public benefit status also have to:

- declare the general accessibility of their services;
- prove that they have the appropriate resources (that their annual income exceeds HUF 1 million/ EUR 3 300, or the balance of their revenue and expenditure is positive, or their wage bill exceeds one quarter of their total expenditure);
- demonstrate that they receive significant support from citizens either in the form of service fees, or in the form of voluntary work or 1 % support.

The public benefit status is a necessary condition for receiving government grants and contracts, as well as for enjoying beneficial tax treatment. Only one of these tax benefits is equally available for all foundations: this is the exemption from tax on the foundations' income from activities related to their mission. Any unrelated business income can also be tax exempt if it does not exceed HUF 10 million (EUR 33 000 Euro) or 10 % of the total revenue of foundations without public benefit registration. This limit is higher (15 %) in the case of public benefit foundations.

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4 Formerly this was the condition of getting the eminently public benefit status.

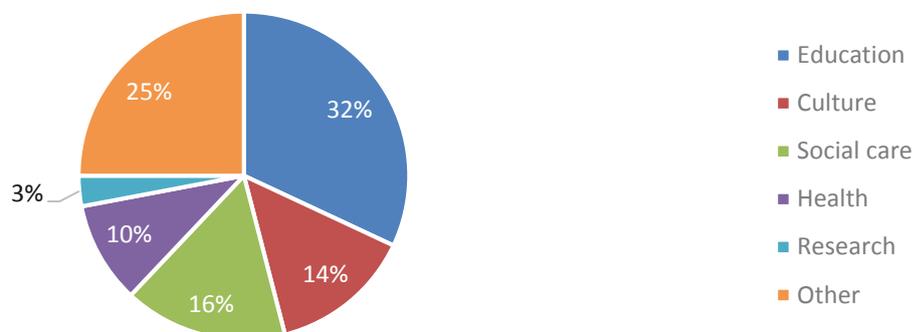
Another type of the tax advantage could be (and was for almost 20 years) the tax deductibility of donations. Unfortunately, individual donors are no longer allowed to deduct their contributions from their taxable income. Corporate donations may still reduce the tax liabilities that the donor would otherwise bear if the beneficiaries are nonprofit organizations registered as being of public benefit. Single contributions are tax deductible up to 20 % of the taxable income. The upper limit becomes 40 % if (at least) the same amount is annually donated by a business firm for more than 3 years.

The very same Law CLXXV that redefined the public benefit status, also changed the name, structure and decision-making mechanisms of the National Civil Fund (Kákai, 2013); the government gained control over the distribution of its grants. The new name is the National Co-operation Fund. Only one third of its decision-making bodies' members are elected by the NPOs; two thirds of them are delegated by the government and Parliament. The boards still issue calls for applications, but foundations close enough to the government can also get support from the Fund directly if decided by the head of the supervisory authority. <sup>[5]</sup>

### 1.3 The foundation landscape

According to the last official data published by the Central Statistical Office, there existed 23 236 foundations in Hungary in 2011. More than two thirds (72 %) of them were involved in education, social care, culture and health care (Figure 2); all the other fields (including research) proved to be rather small.

**Figure 2: Composition of foundations according to ICNPO groups, 2011**



Source: KSH (2013)

The dominance of these four fields is explained by the fact that practically all Hungarian kindergartens, schools, universities and university departments, theatres, museums, libraries, cultural centres, residential homes and daycare institutions, hospitals and hospital departments have their 'own' grant-seeking foundations. These institutions are numerous, and the number of their satellite foundations is so high that all other foundations are very much in the minority within this sector. The tax advantages available for foundations and their access to special funding targeted for NPOs were not the only reasons for the establishment of satellite foundations. Their founders were also motivated by the relative freedom of decision making the foundations enjoy compared to state-run institutions. The beneficiaries of the satel-

5 At present, this is the Ministry of Human Resources.

lite foundations' grantmaking activities are almost exclusively the parent institutions and their clients and employees. These 'grants' may simply cover the costs of everyday activities or special projects (e.g. conferences, workshops, festivals), but they can also contribute to the implementation of major investments, to employees' training and professional development, or to the motivation for and acknowledgment of outstanding achievements (e.g. awards, fellowships).

In much smaller numbers, there are also some charitable foundations of a very traditional type (e.g. poverty relief funds, foundations helping the disabled, homeless, refugees or the elderly). They are vehicles of the voluntary redistribution of wealth, mainly reflecting their founders' empathy towards the people in need. Another mission of these 'classical' grantmaking foundations is to support the studies of talented children and students, or to facilitate the careers of young researchers and artists. Former governments and some foreign donors also established large foundations promoting economic development. Although some of them have become the victims of the present government's centralisation efforts, others still exist. Their main tasks are to encourage innovative and experimental employment programs and to provide entrepreneurs and companies with financial support, assistance and advice. Their grants and services are equally available for social entrepreneurs and business firms (KSH, 2013; Kuti, 2008).

Hungarian foundations do not confine themselves to grantmaking and grantseeking; many of them are operating foundations involved in service provision. This initiative mainly comes from enthusiastic professionals (e.g. doctors, teachers, librarians, social workers, artists and researchers) or potential clients and other stakeholders (e.g. the audience of a local theatre, parents of disabled children). Some operating foundations have also been established by voluntary associations, trade unions, business federations and government authorities. It also happens that private foundations are active in environmental and civil rights movements or in different types of advocacy, but very few of them are specialised in these kinds of activities. There is no established infrastructure for collaboration either within the foundation sector or between foundations and the national government. Umbrella organisations and intermediary organisations are equally lacking in the field of foundations in general and within the research and innovation (R&I) sector.

The foundations supporting research and innovation do not take up much room in the foundation landscape (Table 1) in Hungary. They represent less than 3 % of the foundation sector, and their share is even smaller in terms of employment.

**Table 1: Major indicators of the foundation sector and its R&I segment, 2011**

Indicator	R&I oriented foundations	Other foundations	Total
Number	642	22 594	23 236
Employment (FTE*)	340	13 235	13 575
Income (Euros)	41 907 074	774 356 316	816 263 390
Expenditure (Euros)	44 754 516	759 846 840	804 601 356
Distributed grants (Euros)	25 775 668	265 321 281	291 096 949
Composition, %			
Number	2.8	97.2	100.0
Employment	2.5	97.5	100.0
Income	5.1	94.9	100.0
Expenditure	5.6	94.4	100.0
Distributed grants	8.9	91.1	100.0

Sources: KSH (2013) and the database of the Central Statistical Office

\* Employment is given as a full-time equivalent (FTE). The Hungarian Central Statistical Office uses the definition developed by the Johns Hopkins Comparative Nonprofit Sector Project (Salamon and Anheier, 1996).

However, the financial indicators suggest that the economic weight of foundations supporting R&I is more important than their employment potential. In addition, their grantmaking activities are obviously much more intensive than the Hungarian average: almost one-tenth of the total foundation support is distributed by them.

## 1.4 Research/innovation funding in Hungary

Research funding has changed a lot over the last three years in Hungary. The present government has rejected the arm's length principle that guided the behaviour of its predecessors. Most of the funding decisions have become centralised and government-controlled. The amount of public support for university research no longer depends on the size or quality of the academic community hosted by the higher education institutions. The government has selected certain universities that are entitled to carry out funded research; all the others are not eligible for public funding for their scientific activities. State support for the Academy of Sciences is part of the central budget, thus its amount depends on decision by Parliament. Both university professors and researchers employed by the Academy's research institutes can apply for individual grants from a special government fund (OTKA – the National Scientific Research Fund).

The majority of the government-founded (mainly public law) foundations engaged in doing or supporting research and innovation have been dissolved. Several of them (e.g. the Bay Zoltán Public Foundation for Applied Research, the Science and Technology Foundation) were transformed into state-owned nonprofit companies. Others had to merge with public institutions (e.g. the Public Foundation for the Documentation and Research of the 1956 Revolution's History) or their grantmaking task was simply taken over by a ministry (e.g. the Magyary Zoltán Public Foundation for Higher Education). Whatever the method, the

result is the same: these formerly independent organisations' activities are now controlled by the government and not by a board consisting of experts, academics and other stakeholders.

Similarly, support for innovation has also been centralised. Large and medium size companies are still obliged to pay an 'innovation contribution.'<sup>[6]</sup> Formerly, these companies had a choice: they could either transfer this contribution to the Innovation Fund or spend the same amount themselves in order to cover the costs of any applied research directly useful to them. In most cases this research was not carried out by the corporations; they contracted it out to research institutes, universities and research-oriented NPOs. As one of our interviewees reported, this innovation contribution was an important source of income for R&I foundations, as well. At present, this is no longer available as the costs of contracted out research are not deductible from the innovation contribution. This latter goes to the Central Fund for Technology and Innovation, and then it is distributed in a centralised way.

The largest part of the money concentrated in the Central Fund for Technology and Innovation is distributed at the government's discretion. In addition there are two calls for applications: one for the privileged companies that have signed a 'strategic agreement' with the government, another for everybody else with innovative, market-oriented projects. This latter call appeared on the website of the Ministry of National Development on October 21, 2013. According to its text, the deadline for the applications was November 21. However, four days later the Ministry closed the procedure because the amount requested in the immediately submitted applications largely exceeded the size of the available fund. Some members of the Hungarian Innovation Society questioned the fairness of the tender, spoke about inside information and favoritism, but the law does not provide remedy for this kind of injustice (Vitéz F. 2013:61).

All in all, the public funding of research and innovation is politically tainted in Hungary. Moreover, it is extremely scarce. As stated in the 'Strategy for Science Policy between 2014 and 2020' prepared by the Ministry of Human Resources: 'it is worrisome that the public funding has declined in an international comparison; the time-series calculated at constant prices reveal a decrease even in its total amount. The segment of the research and development (R&D)<sup>[7]</sup> sector financed from public sources has growing difficulties in keeping its position unchanged in the global scientific competition' (EMMI, 2013:18.). The overall picture is not much better, either. Hungary is only a 'moderate innovator'<sup>[8]</sup> according to the Innovation Union Scoreboard. Moreover, it 'performs below the EU average for most indicators' (Hollanders and Es-Sadki, 2014:59). The total Hungarian R&D spending as a percentage of GDP is still far behind the EU average (1.9 %) and the national target for 2020 (1.8 %): it was 1.21 % in 2011 (EC, 2013:10) and 1.29 %

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6 The innovation contribution is 0.3 % of the corporations' net business income.

7 Although it happens more and more frequently that new names (research, development & innovation) and abbreviations (RDI) appear on official documents (e.g. NGM, 2013), the statistical publications' language and the methodology behind it have not changed. The statistical figures quoted here are based on an annual survey of all institutions where basic and applied research and experimental development projects are carried out.

8 Hungary's Summary Innovation Index is only 0.351, much lower than the 0.554 EU average, let alone the innovation leaders' SIs, which exceeds 0.7 (Hollanders and Es-Sadki, 2014:92).

in 2012 according to a preliminary estimation of the Hungarian Statistical Office (KSH, 2013a:5). Current expenditure is slightly in excess of EUR 1 billion, while capital expenditure is just under EUR 200 million.

**Table 2: Composition of current R&D expenditure by financial source, 2012**

Financial source	Current R&D expenditure in Euros	Percentage
Corporate sector	492 617 627	48.2
State budget	347 871 526	34.0
Foreign funders	171 357 288	16.8
Nonprofit sector	10 153 220	1.0
<b>Total</b>	<b>1 021 999 661</b>	<b>100.0</b>

Source: KSH (2013a)

As shown in Table 2, the income from the nonprofit sector covered 1 % of the R&D institutions' costs in 2012. This probably indicates almost exclusively foundation support because grantmaking is not a typical activity for other kinds of NPO (voluntary associations and nonprofit companies), but the donor foundations are not necessarily specialised in supporting research and innovation. On the other hand, there are also several operating foundations on the recipient side. Consequently, the data produced by the regular statistical survey of R&D institutions do not provide us with the information we need if we want to explore the role of foundations in research and innovation. This is why an empirical survey of R&I-oriented foundations has become a major element of the EUFORI Study.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The main source of information on Hungarian R&I-oriented foundations was the register kept by the Central Statistical Office. <sup>[9]</sup> This register is regularly updated with the help of an annually distributed questionnaire (containing questions on availability, activities, and the cessation or closure of operations), and with the help of data available from the court register on newly registered nonprofit organisations. The organisations on the register are classified according to their main activity into 18 major ICNPO groups (one of them being Research) and nearly 200 subgroups by using the information provided during their registration process. The respondents of the annual statistical survey are asked to confirm the validity of their classification. In principle, the register of the Central Statistical Office should be completely up-to-date as returning its questionnaire is a legal obligation. In practice, the response rate is only 70-80 %. Foundations that do not return the questionnaire remain registered, although it is highly probable that several of them no longer exist. Similarly, non-respondents do not indicate whether their contact information and classification are correct or not.

Unfortunately, there is no separate group for NPOs specialised in the promotion of innovation in the ICNPO, so the identification of innovation-oriented foundations was rather difficult. While most of the research foundations were automatically identified by their ICNPO code, the selection of foundations supporting innovation (just like the ones whose research activities were secondary) could only happen on the basis of their name. When innovation or any of its Hungarian synonyms were part of the name, the foundation was added to the list we bought from the Statistical Office. This also went for the ones we managed to identify as foundations being at least partly engaged in R&I activities by using several other kinds of background information. The final list (and the related database of the last available statistical survey we also purchased) contained 642 foundations supporting research and innovation.

The next step was the search for email addresses. We collected addresses through personal networks and from several different information sources, namely the Internet, web pages, conference participant lists, applications for R&I grants, lists of recipients of relevant newsletters, etc. Then we sent a test letter<sup>[10]</sup> to all the email addresses we had found in order to check whether they were really in use. The final list of R&I-oriented foundations with reliable email addresses consisted of 438 items, which meant that the call for the return of the questionnaire of the EUFORI survey could reach 68 % of the whole population. Fortunately, we can be almost sure that most of the foundations not having email address are either very small or even inactive, so leaving them out would not cause much bias in the calculation of economic indicators.

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9 There also exists a court register of nonprofit organizations, but it was not suitable for our identification purposes because it is not regularly updated; thus it contains a large number of NPOs that have not been in operation for long and even more with completely outdated contact information.

10 We also used this letter to inform the foundations about the EUFORI study and the online survey.

As we shall see in Chapter 3, this hypothesis is supported by the similarity of the income and expenditure data coming from the statistical database and the EUFORI survey.

## 2.2 The survey

The online survey was carried out by the VU team. The foundations received an email with a direct link to the online questionnaire. Later on, a reminder was also sent out by the core team. Those who still did not respond were contacted directly by the national experts.<sup>[11]</sup> We tried to persuade foundation leaders to fill in the questionnaire not only via email (3-5 repeated messages/foundation); we also called 70 of them by phone. In the meantime, the VU team developed a very short version of the online questionnaire in the hope that this would help us in our final attempt to increase the response rate. This 'short version' questionnaire included only 10 of the most important questions. In fact, the foundations proved to be more willing to fill in the short questionnaire, thus providing us with at least with some essential information on their activities, revenue and expenditure. As a result, the response rate increased somewhat, but was still not satisfactory.

From some encouragement by the VU team, we complemented the database on the basis of the foundations' annual reports in order to provide as complete a picture as possible. This was feasible because Hungarian nonprofit organisations are obliged to submit their annual accounts to the relevant registering court that makes the electronic version available on a website (<http://www.birosag.hu/allampolgaroknak/tarsadalmi-szervezetek-es-alapitvanyok-nevjegyzeke>). Although it happens quite frequently that foundations (especially small ones) fail to fulfill their reporting obligations, the majority of them comply with the regulations and submit some kind of report. Unfortunately, in many cases its only element is the accounting statement. However, the crucially important financial data and activity information matching the content of the short questionnaire could be found in most of the annual reports

All in all, our survey finally covered 46 % of the foundations originally identified by the Central Statistical Office and 67 % of those having an email address, but the amount of information we now have on the respondents is rather uneven (Table 3).

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11 In Hungary's case, this work was done by Margit Kinyik, who also conducted nine of the ten interviews. I owe her a dept of gratitude for her assistance.

**Table 3: The whole population of foundations supporting research and innovation, the sample, and the respondents**

	Number of foundations	Percentage
Foundations identified by the Statistical Office (population)	642	100.0
Foundations having an email address (sample)	438	68.2
Respondents	294	45.8
Of which: Foundations that did not support R&I in 2012*	41	6.4
Relevant responses	253	39.4
Of which: The full questionnaire was completed	51	7.9
The short questionnaire was completed	202	31.5

\* The overwhelming majority of these 41 foundations was not active in any other way. As one of our respondents and the annual reports of the foundations revealed, this inactivity mainly resulted from a lack of substantial revenue, but administrative reasons and organisational crises also happened to play some part.

The survey data are the main source of information we will rely on when analysing the foundations’ organisational features, activities, relationships and contribution to European integration in Chapter 3. The overall number of responses is relatively high; consequently the survey data are fairly reliable in the case of the questions that were part of the short questionnaire. The other questions (included only in the full questionnaire) were answered by far fewer foundations, <sup>[12]</sup> thus we must be extremely cautious about the interpretation of the results. This is especially true for the questions that tried to explore the composition of assets, revenue and expenditure, as many of the respondents refused to share with us this kind of information.

Some additional (mainly financial) information is also available from the database we bought from the Central Statistical Office. Apart from their reliability, one major advantage of these official statistical data is that they cover the whole population of R&I-oriented foundations thanks to the relatively high response rate and a very sophisticated imputation method. <sup>[13]</sup> This is why we have used them in the analysis of the economic weight of foundations supporting R&I.

## 2.3 The interviews

In order to illustrate and enrich the data from the online survey and to develop a more in-depth understanding of the foundations’ activities and their impact, we also conducted interviews with nine foundation leaders and one expert on R&I funding. The selection of the interviewees was guided by the preliminary information on the major types of foundation:

12 The number of observations (N) is displayed for each table and figure containing the survey results.

13 Non-respondent NPOs are ‘represented’ in the database by respondents similar to them in terms of legal form, ICNPO subgroup, geographical location, and the community type of their seat (KSH, 2003:12).

1. Very large grantmaking foundations financed mainly from abroad: Magyar-Amerikai Fulbright Alapítvány (the Hungarian American Fulbright Foundation).
2. Very large operating foundations mainly financed (and more or less controlled) by the national government: Holocaust Dokumentációs Központ és Emlékgyűjtemény Közalapítvány (the Holocaust Documentation Center and Memorial Collection Public Foundation).
3. Operating foundations established by researchers and professionals committed to a specific issue, research field and/or innovation: Szociális Innováció Alapítvány (the Social Innovation Foundation).
4. 'Market-oriented' operating foundations engaged in applied research, project development and evaluation: Információs Társadalom Alapítvány (the Foundation for Information Society).
5. Innovation-oriented foundations focusing on the promotion of technological progress, sustainable economic development and putting innovative ideas into practice: InfoPark Alapítvány (the InfoPark Foundation).
6. Grant-seeking foundations closely connected to a state-run research institute: Népesedési Kutatások Alapítvány (the Foundation for Demographic Research).
7. Foundations mainly or exclusively dealing with the dissemination of research findings: Közgazdasági Szemle Alapítvány (the Economic Review Foundation).
8. Small grantmaking foundations created in remembrance of scholars well-known in some profession or in a relatively narrow academic community: Illyés Zsigmond Baleseti Sebészeti Tudományos Alapítvány (the Zsigmond Illyés Foundation for the Emergency Surgery Science).
9. Corporate foundations supporting research and innovation in the field its founder is interested in: Richter Gedeon Alapítványok (the Foundations of the Richter Gedeon Company).

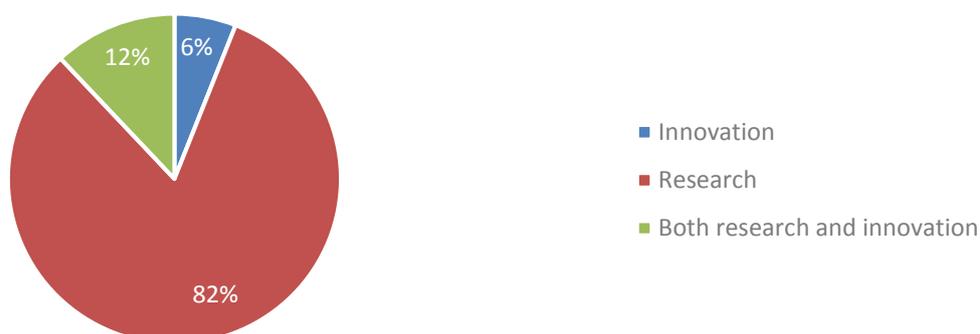
We also wanted to interview the leader of a foundation supporting outstanding scholars and/or very talented young researchers through giving highly prestigious awards. Unfortunately, only two Hungarian foundations belong to this type and neither of them was ready to talk to us. Thus the tenth interview was conducted with an expert on research funding who has been involved in the development of the system for financing R&I activities for more than 30 years.

# 3 Results

## 3.1 Types of foundation

More than four fifths of the 253 respondent foundations supporting R&I in 2012 were specialised in research (Figure 3), while the share of exclusively innovation-oriented foundations was negligible.

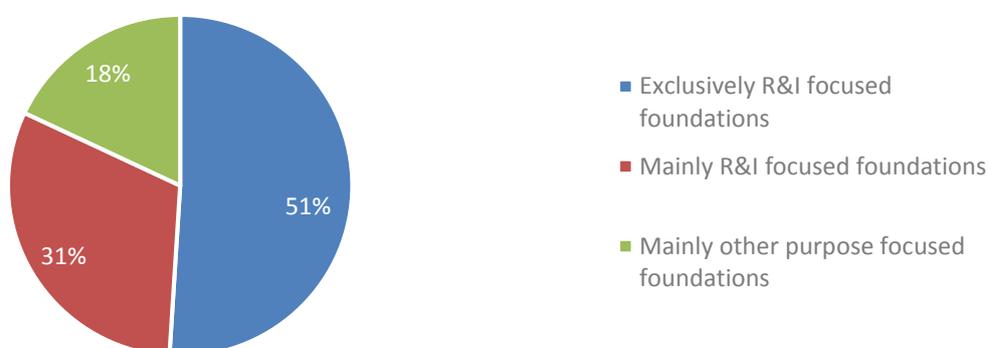
**Figure 3: Types of foundation in terms of research and/or innovation, 2012**  
As a percentage of the total number of foundations (N=253)



Source: EUFORI survey

About half of the foundations <sup>[14]</sup> reported only on R&I expenditure, meaning they dealt only with research and/or innovation in 2012 (Figure 4). R&I spending was dominant (exceeding 50 % of total expenditure) for almost one-third of them. The group of organisations mainly engaged in other activities proved to be relatively small (18 %) compared to R&I focused foundations.

**Figure 4: Types of foundation in terms of purpose, 2012**  
As a percentage of the total number of foundations (N=222)



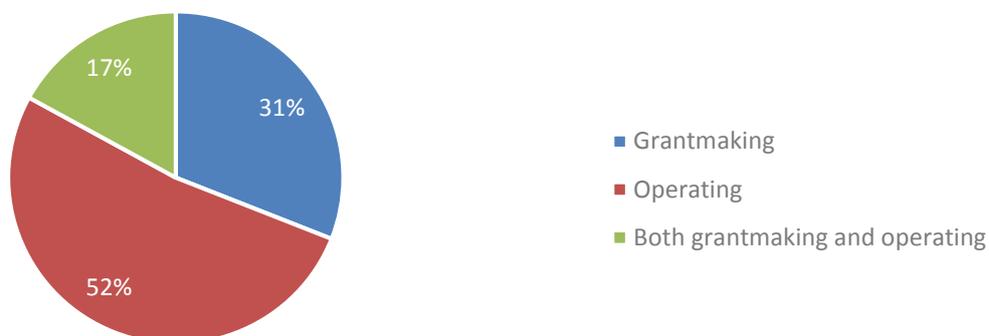
Source: EUFORI survey

14 Unfortunately, a significant part of the respondents did not provide us with information on their expenditure; several others only partly answered the expenditure question. It also happened that their answers were not consistent.

Hungarian foundations are fairly active in actual research work. According to our survey results, slightly more than half proved to be operating foundations (Figure 5), while less than one-third confined themselves to grantmaking. Mixed activities were rather rare.

**Figure 5: Types of foundation in terms of grantmaking versus operating, 2012**

As a percentage of the total number of foundations (N=248)

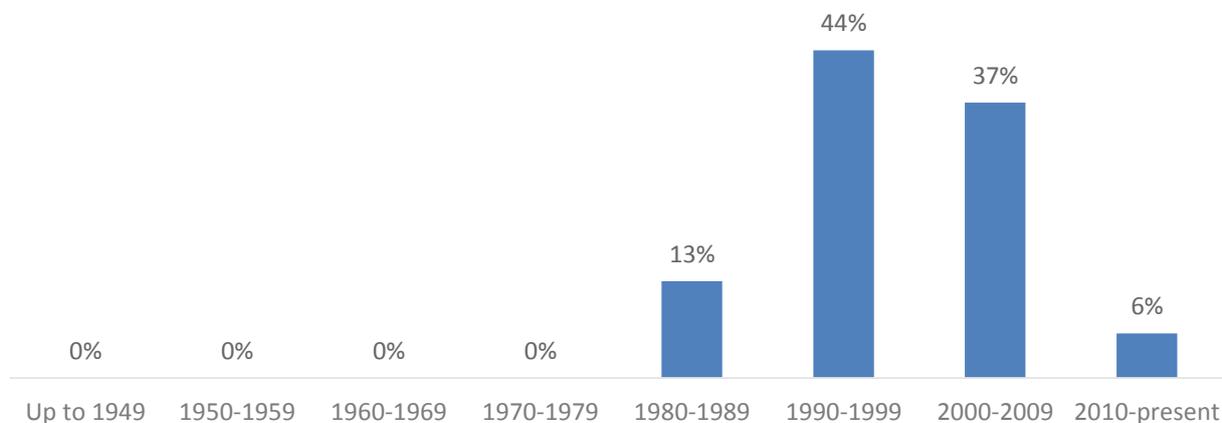


Source: EUFORI survey

The Hungarian R&I-oriented foundations (just like the foundation sector as a whole) are relatively new (Figure 6).

**Figure 6: Types of foundation according to year of establishment, 2012**

As a percentage of the total number of foundations (N=46)



Source: EUFORI Survey

As mentioned previously in Chapter 1, foundations have only been established in Hungary since 1987. Therefore, it is not surprising that almost half of our respondent foundations were created in the 1990s, during a period of extremely rapid growth (see Figure 1) for the foundation sector.

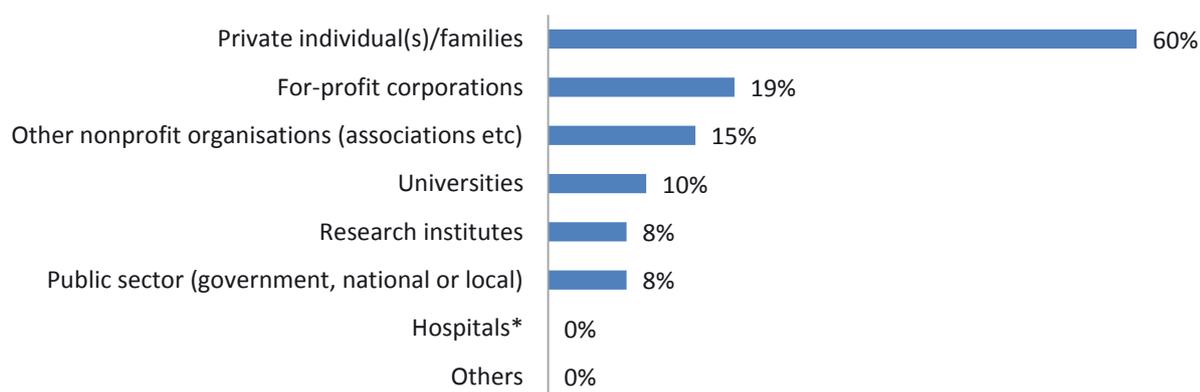
## 3.2 Origins of funds

### 3.2.1 Financial founders

Despite the large number of satellite foundations, the most important financial founders proved to be private individuals, followed by for-profit and nonprofit organisations (Figure 7). The seed money was of private origin in the cases of almost four-fifths of the foundations.

**Figure 7: Financial founders, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=48)



Source: EUFORI survey

\* Although none of the 48 respondents that provided us with information on their year of establishment was founded by a hospital, there are several foundations with one or more hospitals among their founders in Hungary.

As mentioned above, legal regulations allowed the establishment of foundations with a very small <sup>[15]</sup> endowment, thus the founders did not need to be particularly rich or affluent. To take this opportunity was all the more attractive because this was a possible way of remaining outside government control. On the other hand, foundations without a substantial endowment are obviously dependent on their current income, which makes them financially vulnerable.

### 3.2.2 Income

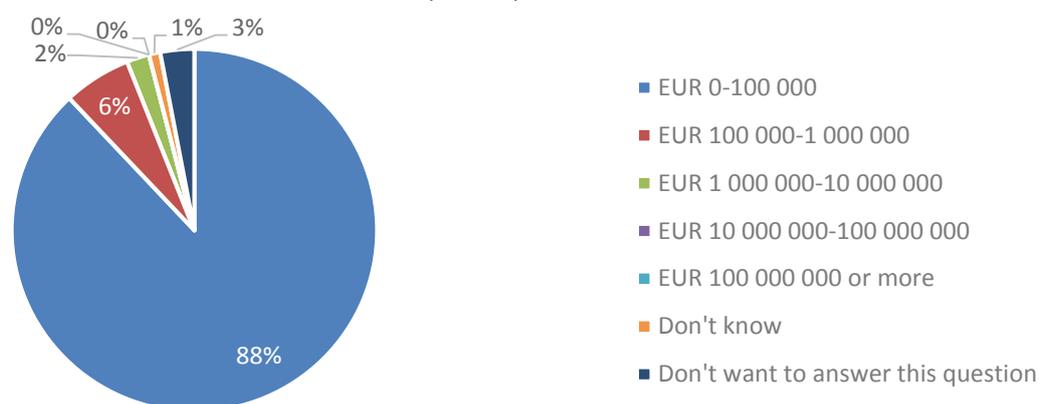
This vulnerability can also be detected in both the low income and the revenue structure of the Hungarian foundations (Figure 8; Tables 4 and 5; Annex tables 1 and 2). According to our survey results, the total income of R&I-oriented foundations was 43 million Euros in 2012. As shown in Figure 8, only a very small part of the foundations had an income of over 100,000 Euros in 2012. The share of foundations with revenue under 10,000 Euros was 53 %.

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15 In principle, this seed money was supposed to cover at least the initial fundraising or other income generating expenditure, as well as the costs of the establishment and registration procedure. In fact, lots of Hungarian foundations with an endowment of around EUR 500 were registered, so in the beginning they had to rely on the voluntary work of their founders.

**Figure 8: Total income by category in Euros, 2012**

As a percentage of the total number of foundations (N=250)



Source: EUFORI Survey

The analysis of income sources is based on the 2011 database of the Statistical Office because – thanks to a much more finance-oriented questionnaire – it contains more detailed information than our survey results, <sup>[16]</sup> while the major categories of revenue sources are either the same or very similar in both surveys. The figures for total income are naturally different. They indicate that R&I-oriented foundations generated more revenue (43 million Euros) in 2012 than in 2011.

**Table 4: Amount and composition of the total income by sources, 2011 (N=642)**

Sources	Income in Euros	Percentage
Income from an endowment	1 035 214	2.5
Income from private donations	6 910 329	16.5
Of which: Donations from individuals	747 254	1.8
Donations from for-profit corporations	5 411 844	12.9
Donations from other nonprofit organizations	751 231	1.8
Income from government	27 800 993	66.3
Of which: Income from national, regional and local governments	4 800 257	11.4
Income from EU and other foreign governments	23 000 736	54.9
Service fees, sales, unrelated business income	6 142 366	14.7
Other	18 172	0.0
<b>Total</b>	<b>41 907 074</b>	<b>100.0</b>

Source: Database of the Central Statistical Office

16 As far as the composition of the major sources of income is concerned, the results from the two surveys are not significantly different. If we calculate on the basis of the EUFORI data (Annex tables 1 and 2) after deducting the amount whose sources are not identified or classified as 'Other' by the respondents, the revenue structure we find is as follows: income from endowment 2.2 %, individual donations 0.4 %, corporate donations 10.1 %, support from NPOs 1.7 %, government support 66.7 %, and income from service fees and sales 18.9 %.

The most important source of revenue for Hungarian R&I-oriented foundations is government support, but only a small part (less than one fifth) of this comes from the Hungarian government. <sup>[17]</sup> The main donors are the European Union <sup>[18]</sup> and some foreign (e.g. the US, Austrian, Norwegian) governments. As one of our interviewees explained, the latter have made some attempt to convince the Hungarian government that it should increase its contribution, but without any success. Another interviewee even blamed one of the Hungarian ministries for ‘directing its hopes and efforts to get EU support instead of lobbying for an increase of R&I spending in the budget debate’.

The share of services fees, sales and unrelated business income is about one-sixth of the total revenue, slightly lower than that from private donations. Understandably enough, corporations are by far the most important private supporters, while the contribution by other nonprofit organisations and private individuals is rather small. Although the culture of giving has developed a lot in Hungary over the last few decades, the concentration of individual donations in the traditional fields of charity (health and social care, education) and the lack of interest in research and innovation have remained unchanged (Czakó et al., 1995; Czike and Kuti, 2006).

The income from endowment does not play an important role in financing R&I-oriented foundations, either. With very few exceptions, the donation of money by the initial founder(s) is the source of original endowment. Since the amount of this original endowment was generally very small, consequently inadequate for generating significant income, most of the founders did not insist on its maintenance. Four fifths of the foundations are supposed to expand, but also allowed to spend down their endowment at the trustees’ discretion. No wonder, then, that ‘only a handful of foundations own sufficient capital’ (Wizner and Aszalos, 2007, p. 200). However, the almost negligible return on financial investments also has to do with the very low Hungarian interest rate, the foundation boards’ ignorance of investment opportunities and their willingness to avoid risk.

It is worth noting that the overall financial importance of the different elements of revenue does not correspond with their accessibility (Table 5). The single most important foreign grants are available only for 3 % of the foundations supporting R&I, while almost two-thirds of them receive some income from their endowment.

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17 This relatively small contribution by the Hungarian government, together with the low share of public sector bodies among financial founders (Figure 7), explains that direct government participation in the operating of foundations proved to be quite rare. 5 % of our respondents (N=21) had government representatives on their governing board; 10 % reported such a presence on their supervisory board. When rating the government’s influence on their decision-making on the allocation of funds for R&I on a scale of 0-10 (Not influential – Totally influential), the average score given by the same respondents was only 3.2.

18 Most of the EU money comes from the Structural Funds through a government-controlled system of applications, but some Hungarian foundations also have access to direct EU support.

**Table 5: Composition of foundations according to the importance of the different income sources within their total revenue, 2011 (N=642)**

Income sources	More than two thirds	Less then one third	None	Total
	of total revenue coming from a specific income source, %			
Income from an endowment	20.4	43.6	36.0	100.0
Private donations	26.6	18.9	54.5	100.0
National, regional, local governments	14.3	30.7	55.0	100.0
EU and foreign governments	1.4	2.0	96.6	100.0
Service fees, sales, business income	13.7	15.9	70.4	100.0

Source: Database of the Central Statistical Office

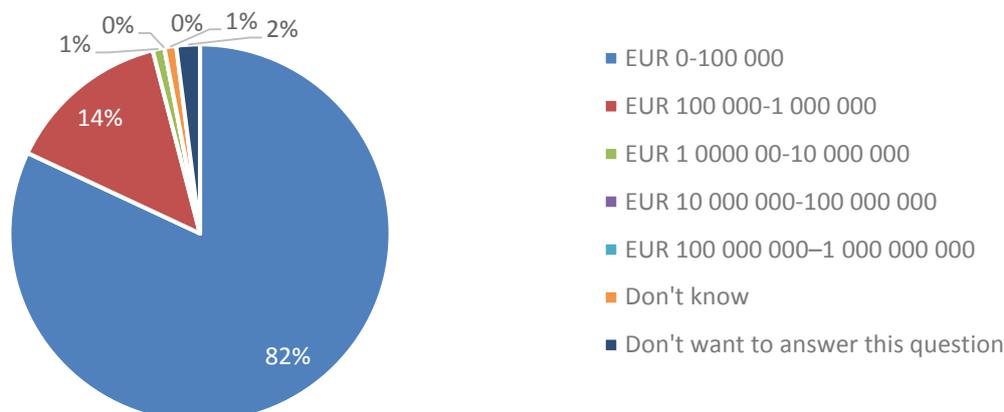
About one third of the foundations earn some income through the provision of services and slightly less than half of them have access to private donations and government support. The surprisingly high share of foundations receiving some support from the state budget is a result of the 1 % system. Individual taxpayers can be fairly easily contacted by foundations having close relationships with universities and hospitals, and it is not too difficult to get some 1 % support through their assignment decision. However, the majority of state support is distributed by government authorities and is only available for a small number of foundations.

### 3.2.3 Assets

According to the respondents of the EUFORI survey, the amount of total assets was 26 million Euros in 2012 (Annex tables 3 and 4). More than four fifths of the foundations had very small assets (Figure 9).

**Figure 9: Total assets by category in Euros, 2012**

As a percentage of the total number of foundations (N=241)

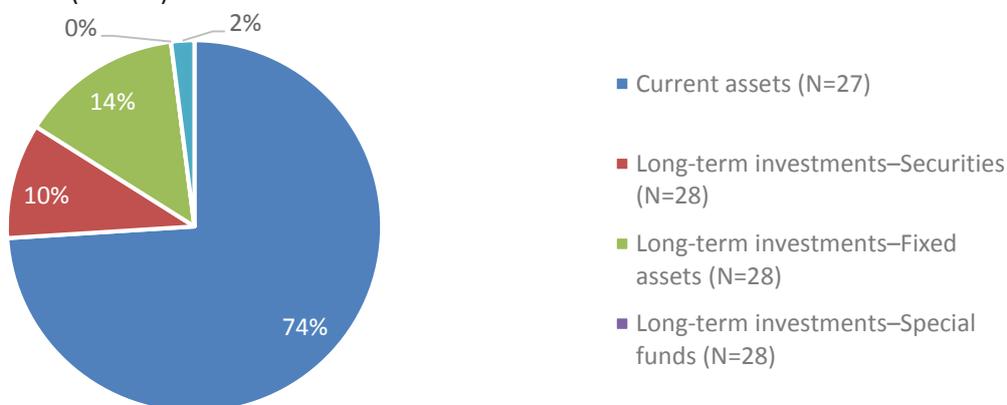


Source: EUFORI Survey

The composition in terms of types of asset (Figure 10) supports our former statement about the foundation boards' very cautious investment behaviour, which is rooted partly in their willingness to avoid risks but also in the uncertainties of the financial environment and the lack of capital market experience and skills.

**Figure 10: Distribution of assets, 2012**

As a percentage of total (known) assets



Source: EUFORI Survey

Current assets (cash and other assets that can be converted into cash or consumed within a short time) accounted for almost three quarters of the total assets in 2012. The share of all kinds of long-term investment that might generate much higher returns proved to be low. None of the respondents reported on any investment in special funds.

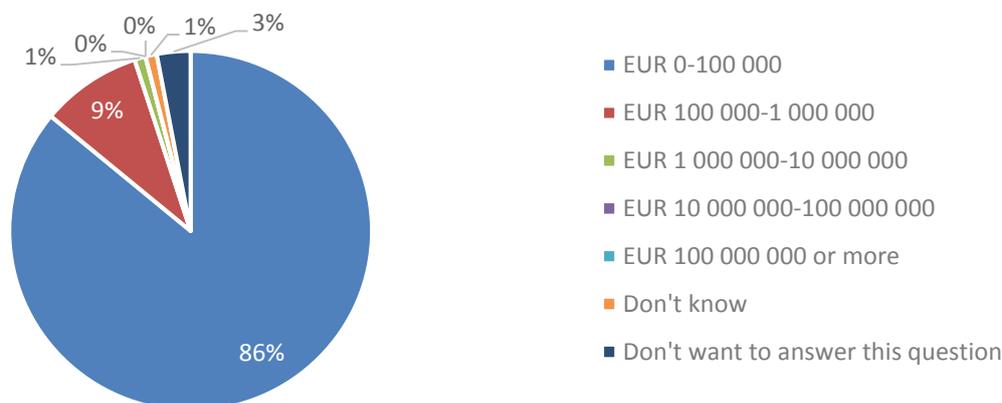
### 3.3 Expenditure

#### 3.3.1 Total expenditure

The total expenditure of the Hungarian R&I-oriented foundations added up to EUR 42.5 million in 2012 (Annex tables 5 and 6). As mentioned previously, the overwhelming majority of these foundations were very small organisations with extremely low incomes. It is not surprising, then, that almost nine tenths of

**Figure 11: Total expenditure by category in Euros, 2012**

As a percentage of the total number of foundations (N=248)



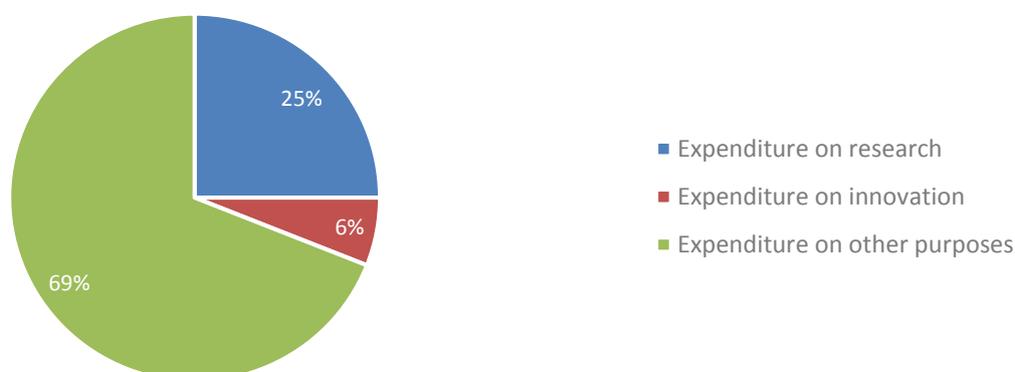
Source: EUFORI Survey

them spent less than EUR 100 000 in 2012 (Figure 11).

One quarter of the total expenditure served research purposes (Figure 12), another 6 % went to innovation

**Figure 12: Distribution of total expenditure in terms of research, innovation and/or other purposes, 2012**

As a percentage of the total known expenditure (N=227)



Source: EUFORI survey

and more than two thirds of the total expenditure was used outside the field of research and innovation. This is explained by the fact that there are some huge foundations in Hungary that combine several activities. Some of them are higher education-related foundations (e.g. the Tempus Foundation) with a clear focus on student fellowships and other education-oriented programs where support for research is secondary. Another type was described by one of our interviewees as follows:

*The foundation has several activities, out of which running the Holocaust Museum with its permanent exhibition and the Documentation Centre collecting documents about the Hungarian Holocaust victims are the most important ones. Besides, the foundation organises travelling exhibitions, events, conferences, teacher training courses and the Holocaust Memorial Day. Its research activity focuses on the analysis of twentieth century Jewish history in Hungary.*

It is also quite common that foundations connected to hospitals are much more involved in improving health services and/or helping (sometimes even organising) the training of employees than in supporting research projects and promoting doctors' scientific careers.

Even the completely research-oriented foundations tend to combine their scientific work with related

educational programs.

*As one of our interviewees, the head of a foundation mainly engaged in applied IT research, reported: in its most prosperous period the foundation worked a lot for banks and similar financial institutions. There were years when it had research contracts from 50-60 market organisations and ran over 110 projects. In parallel, the foundation became an accredited adult education institution with several specific and unique training programs, e.g. the IT Safety Expert course, the Bank Information Technology or the Electronic Signature training.*

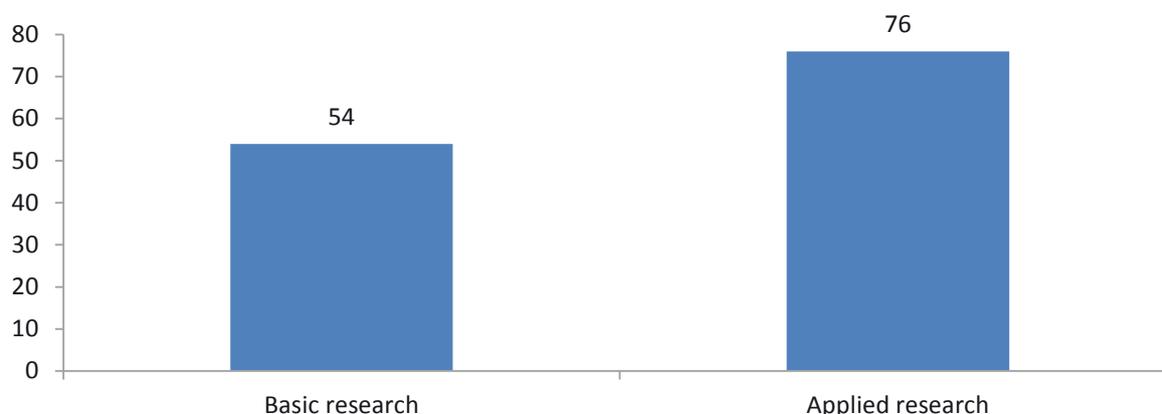
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### 3.3.2 Research

Only 48 % of the total research expenditure went directly to scientific institutions, projects and programs (Annex table 7). Slightly more than half of them financed research-related activities, mainly the dissemination of scientific results, scientific communication, and researchers' mobility.

**Figure 13: Total expenditure on research Basic vs Applied, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=37)



Source: EUFORI survey

About half of the research-oriented foundations supported basic research, while three quarters of them dealt with applied research (Figure 13). The overlap between the two was 30 %.

Not much more than one quarter of the known research expenditure went on basic research (Annex table 8), probably because basic research is generally very expensive and closely connected to the Academy of Sciences and universities; thus foundations can only afford to take part in it through organising and funding low budget research-related activities. In addition, it is obviously more difficult to raise funds and generate demand for basic research than for applied research projects because the latter's purposes and practical utility are more often clear at first glance.

Research grants consumed more than half of the foundations' research expenditure in 2012 (Annex table 9). This probably had to do with the large number of satellite foundations that were created mainly in order to support their parent institutions. However, the presence of some really large grantmaking foundations (e.g. Tempus, Fulbright) was also responsible for the high share of research grants. The share of operating costs was only 24 %, but we have every reason to believe that most of the 'Other research expenditure' actually belongs to the category of operating costs.

### 3.3.3 Innovation

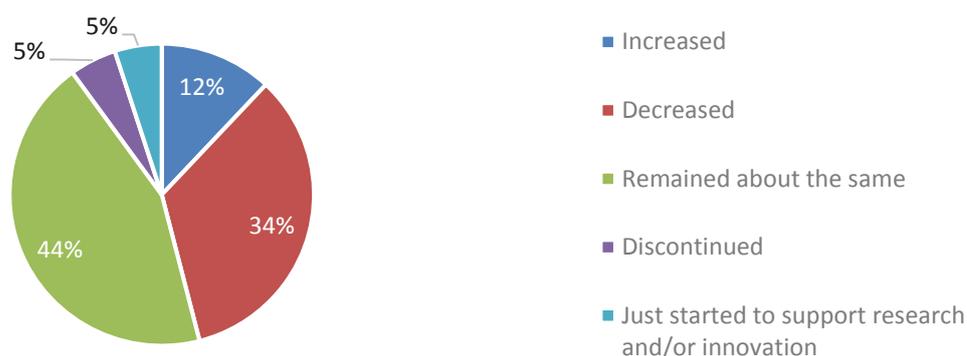
Grantmaking seems <sup>[19]</sup> to be much less important in supporting innovation than in the field of research (Annex table 10). It accounts for only one fifth of the innovation expenditure; the other 80 % makes up the operating costs of foundations engaged in innovation.

### 3.3.4 Changes in expenditure

Very few (only 12 %) of the foundations were able to increase their expenditure in 2012 (Figure 14). More than one-third of them had to spend less than before; another 5 % could not continue financing their former activities at all.

**Figure 14: Changes in expenditure on research and innovation compared to the previous year, 2012**

As a percentage of the total number of foundations (N=41)



Source: EUFORI survey

19 The extremely low number of valid cases makes any further analysis impossible.

With one exception, <sup>[20]</sup> all the foundation leaders we interviewed complained about financial difficulties. As they explained, the economic crisis was harmful for them in several different ways. It equally reduced the market demand for their services and the amount of international, governmental and corporate support. The problem was even aggravated by government policy. In the words of one of our interviewees:

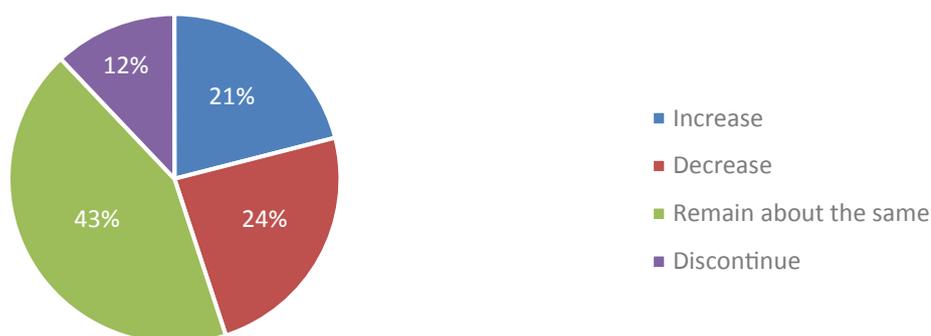
*The state – in order to balance the budget – hunted down all the sectors that were able and traditionally willing to sponsor research. The government introduced the bank tax, the telecom tax, the chips tax, the transaction tax and it keeps tapping these sectors... In this situation, it is not enough to know personally the director of a bank; it is no use to go there to ask for support.*

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The expectations were not very different from the previous year's experiences (Figure 15). Only one fifth of the foundations hoped for an improvement, while 36 % of them were definitely pessimistic.

**Figure 15: Changes in expenditure on research and innovation, expectations for the next year, 2012**

As a percentage of the total number of foundations (N=42)



Source: EUFORI survey

The overall evaluation of the perspectives also depended on the size of the endowment, as is reflected in the following statements of two of our interviewees.

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20 The HR executive of a large pharmaceutical company stated that the corporate support to their 'own' foundations remained unchanged despite the economic crisis.

*It is good that the foundation is behind us as a reservoir; sometimes it is full, at other times it can be drained. Although we can survive somehow until the middle of next year, without additional resources we will have to shut up shop then.*

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## 3.4 Focus of support

### 3.4.1 Beneficiaries

The survey question about beneficiaries was answered by very few respondents (N=16), so the information we received is not reliable. Moreover, the figures seem to be misleading, thus we prefer not to analyse them. Instead, we can rely on the data from the Statistical Office (Tables 6 and 7).

**Table 6: The number of R&I-oriented foundations and grants according to the beneficiaries of grantmaking activities, 2011 (N=642)**

Grantmaking activities	R&I-oriented foundations'		Grants made by them	
	Number	Percentage	Amount in Euros	Percentage
No grant (operating foundations)	412	64.2	–	–
Grants only to individuals	145	22.6	2 214 695	8.6
Grants only to organisations	47	7.3	809 003	3.1
Grants to individuals & organisations	38	5.9	22 771 353	88.3
<b>Total</b>	<b>642</b>	<b>100.0</b>	<b>25 795 051</b>	<b>100.0</b>

Source: Database of the Central Statistical Office

The majority of the R&I-oriented grantmaking foundations supported partly or exclusively private individuals. Nevertheless, the total amount of grants given to organisations (universities, scientific societies, research institutes, hospitals etc.) was five times higher than to individuals (researchers, professors, students etc.).

**Table 7: The composition of grants given to individuals and organisations according to the form of support, 2011 (N=642)**

Form of support	Grants to individuals		Grants to organisations	
	Amount in Euros	Percentage	Amount in Euros	Percentage
Financial grant	4 220 841	94.4	21 178 403	99.3
In-kind support	249 200	5.6	146 607	0.7
<b>Total</b>	<b>4 470 041</b>	<b>100.0</b>	<b>21 325 010</b>	<b>100.0</b>

Source: Database of the Central Statistical Office

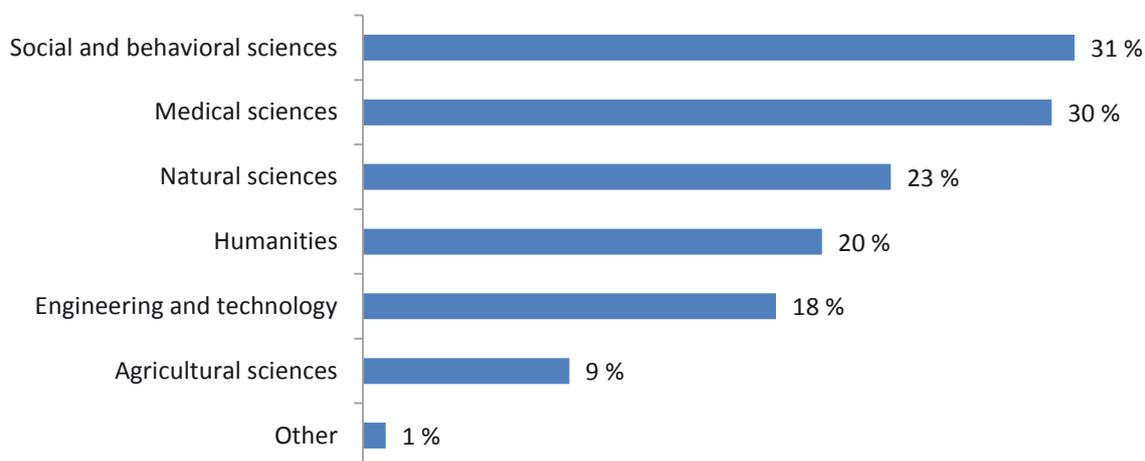
It is also interesting that the in-kind support played a significantly more important (although still not very important) role in helping private individuals than in supporting organisations. Our interviewees mentioned many specific forms of this in-kind support, including free access to scientific publications, office and laboratory facilities, and legal, information and administrative services, etc.

### 3.4.2 Research fields

Foundations may naturally focus on several different research fields, thus the sum of percentages displayed in Figure 16 exceeds 100 %. However, multi-focus foundations proved to be rare in Hungary; about four fifths of the respondents supported only one research field.

**Figure 16: Thematic research fields, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=239)



Source: EUFORI survey

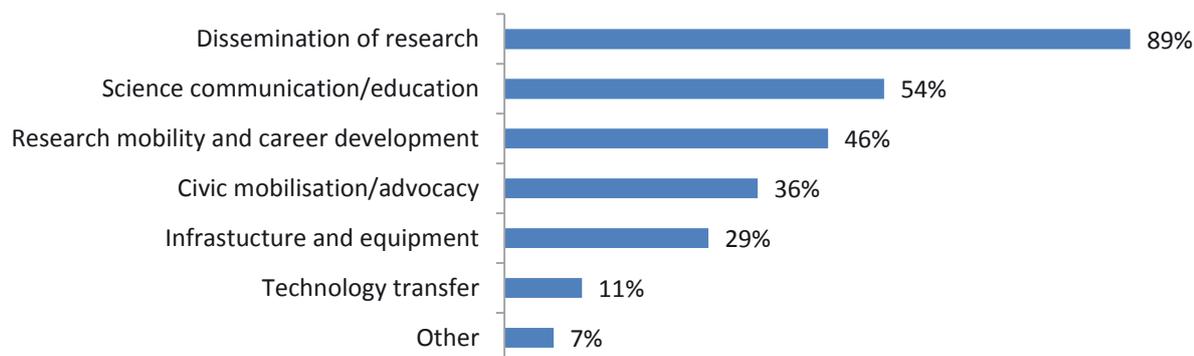
The two most supported fields were the social and medical sciences; almost one third of the foundations played some role in helping their work, while the agricultural sciences proved to be almost neglected. The share of supporters of the natural sciences, the humanities, and engineering and technology was about 20 %.

### 3.4.3 Research-related activities

Almost nine tenths of the respondents mentioned their involvement in the dissemination of research results (Figure 17), and about half of them promoted science communication, researchers' mobility and career development.

**Figure 17: Research-related activities, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=28)



Source: EUFORI survey

Our interviews gave us many interesting examples of these kinds of research-related activities. A small selection of them is as follows:

The foundation's main activity is to publish the 'Economic Review', a scientific periodical that has a long tradition.

The foundation aimed to create a network with the hospitals, practitioners and universities of the neighbouring countries in order to exchange experiences and knowledge and to establish a research laboratory for the improvement of surgical practices. Another activity was to provide financial support to practising medics to participate in conferences or publish their scientific results.

The foundation is involved in the organisation of an international conference in Budapest; the regular two-year conference of population researchers throughout the world.

The aim of the foundation is to organise the bilateral exchange of students, teachers and researchers between the US and Hungary, to promote the understanding of different cultures and overall to serve peace.

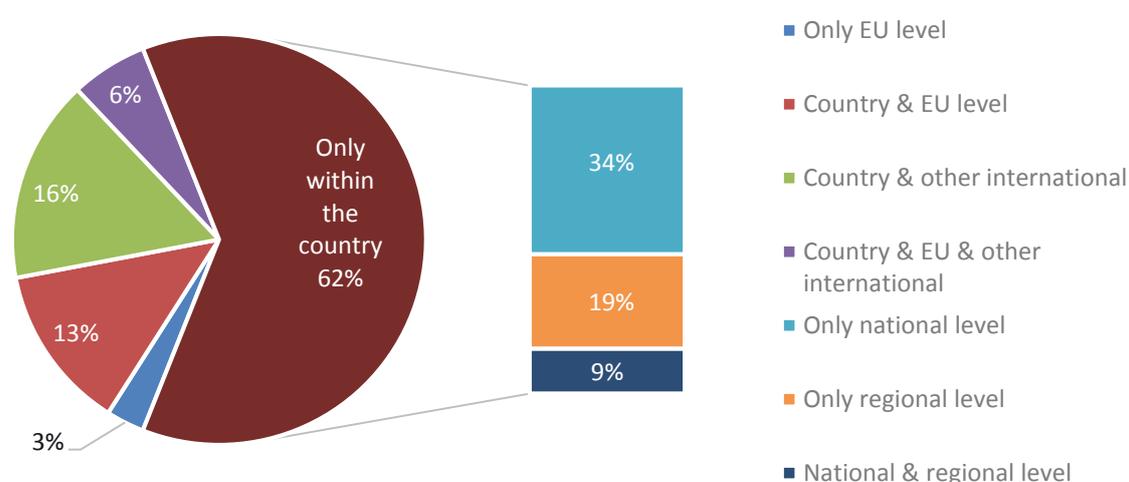
## 3.5 Geographical aspects of the activities

### 3.5.1 Geographical focus

As the above examples already suggest, international relations and projects are an integral part of several Hungarian foundations' work. However, according to our survey results (Figure 18) only 38 % of the responding organisations spent some part of the funds available to them abroad, but even these foundations tended to combine foreign and local spending. An exclusively European focus was exceptional; only one of the respondents indicated that it financed research and innovation activities only on a European level.

**Figure 18: Geographical focus of support, 2012**

As a percentage of the total number of foundations (N=32)

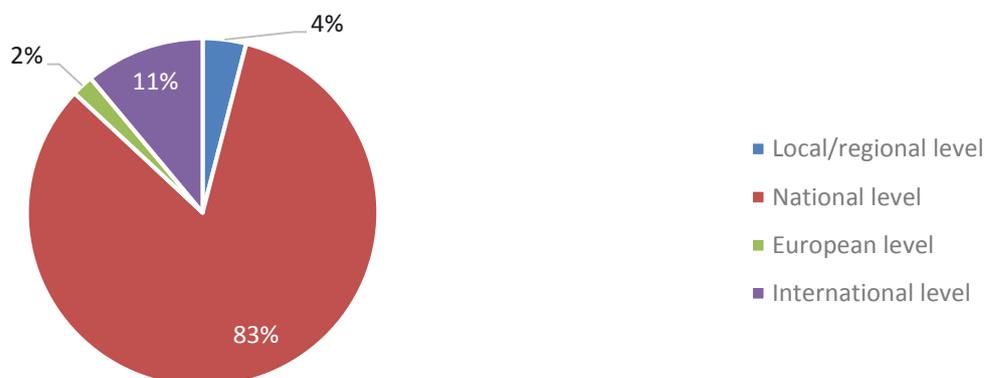


Source: EUFORI survey

The share of research and innovation expenditure distributed by the respondents on a European and international level was only 13 % (Figure 19 and Annex table 13). The largest part (83 %) of the expenditure was allocated on a national level.

**Figure 19: Geographical focus of support, 2012**

As a percentage of the total (known) expenditure on research and/or innovation (N=32)



Source: EUFORI survey

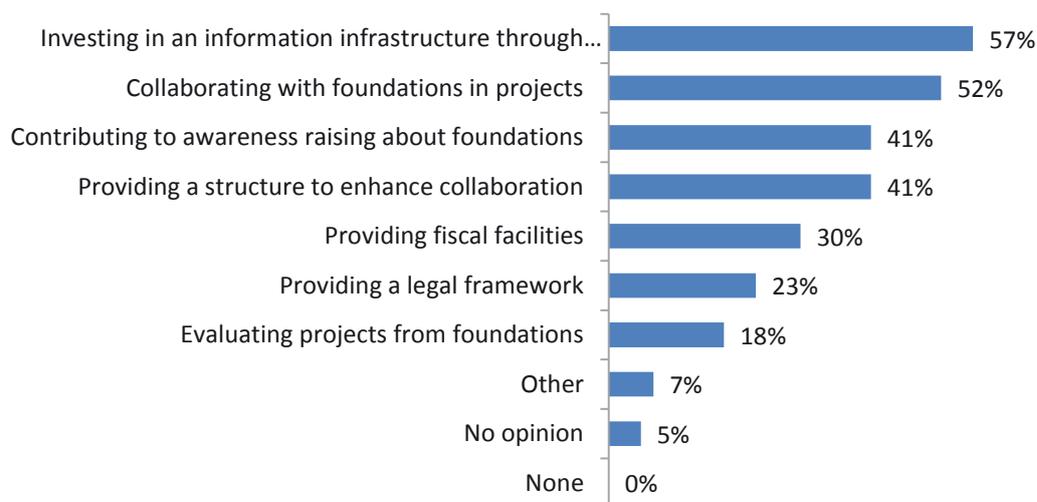
In fact, the concentration of spending in Hungary does not mean that R&I-oriented Hungarian foundations keep their professional activities inside the country's borders. As we have already mentioned, many foundations support the participation of researchers, university professors, doctors etc. in international conferences and networks. These grants are obviously reported as local expenditure because the recipients are private Hungarian individuals. Similarly, research foundations participating in international projects are likely to spend their money mainly at home, while co-operation with foreign partners is an integral part of their activities and the results of these projects may even serve European integration.

### 3.5.2 The role of the European Union

Whether or not they took part in EU-level activities, Hungarian foundations almost unanimously<sup>[21]</sup> declared that the European Union should play some (in most cases more than one) role in relation to the foundations. The two most frequently mentioned roles were investing in an information infrastructure through the development of databases and collaboration with foundations in projects (Figure 20). About 40 % of the respondents expect that the EU should provide a framework for enhancing collaboration and contributing to raising awareness about foundations.

**Figure 20: The role of the European Union, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=44)



Source: EUFORI survey

Interestingly enough, the idea of an EU-level provision of a legal framework and fiscal facilities proved to be much less popular, not to mention the participation of the European Union in the evaluation of projects from foundations.

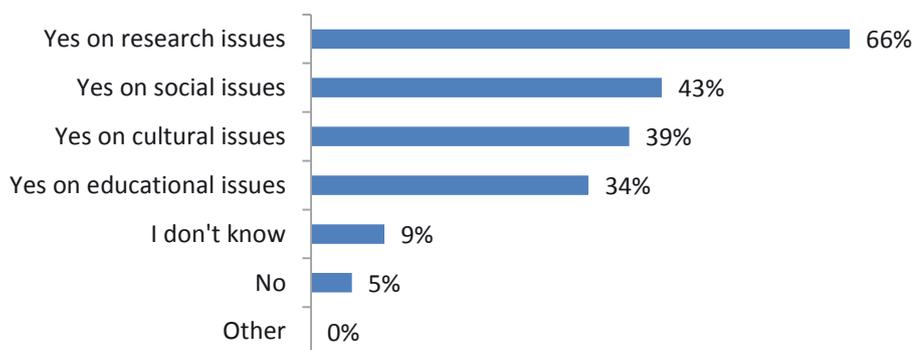
21 In fact, none of the respondents said that the EU should not play any role. However, 5 % of them did not have an opinion.

### 3.5.3 Contributions to European integration

The geographical focus of the allocation of expenditures (Figure 19) did not have a significant impact on how the foundations assessed their own contributions to the European integration (Figure 21). Nearly all the respondents thought that their organisation's activities played some role in the development of Europe-wide co-operation in one or more fields.

**Figure 21: Contributions to European integration, 2012**

As a percentage of the total number of foundations, multiple answers possible (N=44)



Source: EUFORI survey

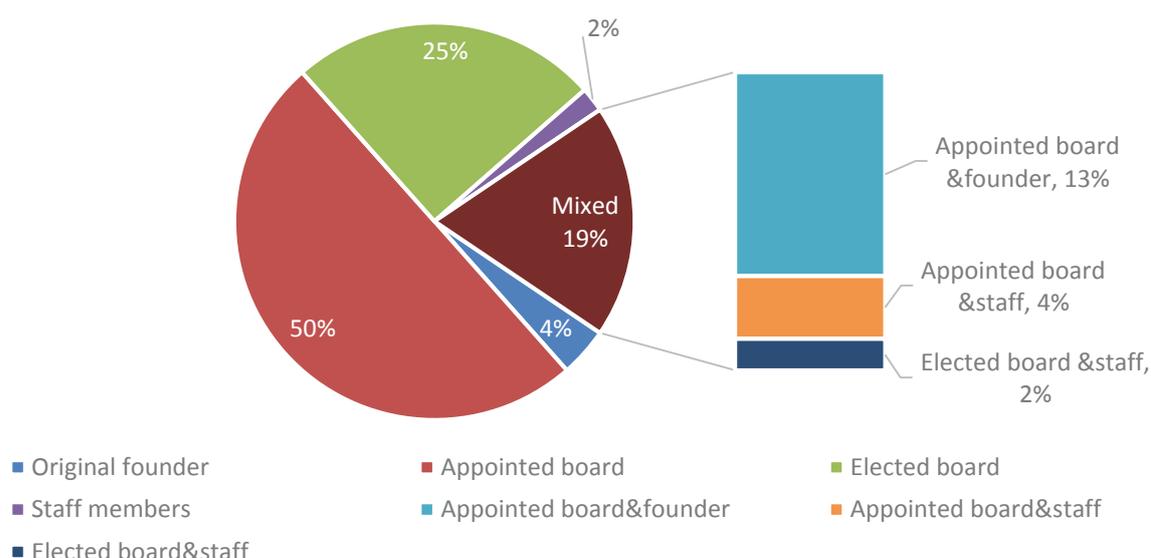
As could have been predicted, the field where the R&I-oriented foundations felt most often influential was research (two-thirds of the respondents referred to this). On the other hand, it is somewhat surprising that contributions to European integration on social issues were more frequently mentioned than either educational or cultural issues.

## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

In principle, the decision-making body of all Hungarian foundations should be an appointed board. The legal regulation even provides that the original founder is not allowed to have a dominant position on the board. In practice, the picture is more varied.

**Figure 22: Participants defining the annual strategy, 2012**  
As a percentage of the total number of foundations (N=48)



Source: EUFORI survey

As Figure 22 shows, not only the founders, but even the paid employees play a sometimes decisive, sometimes less important role in defining the annual strategy of one-quarter of the foundations. <sup>[22]</sup> According to our interviews, the staff members' influence is more likely to be stronger in the case of the operating foundations, while the dominance of grantmaking activities normally implies a higher degree of board responsibility, even if the preparatory work done by the paid employees might significantly influence the board's decisions. The board's position can be rather delicate in the case of satellite foundations, as is reflected in one of our interviews:

*A latent conflict between the scientists and medicals and the 'lay' members of the board hindered the implementation of an ambitious goal, the creation of a 'research laboratory'. There seemed to be a conflict between the professionally competent representatives of the hierarchical, state-run hospital and the lay initiators representing the foundation and its mission.*

22 Decision making by staff members was spontaneously mentioned by the respondents; it was not an option on the questionnaire.

In order to prevent the emergence of this kind of conflict, most of the parent institutions delegate their top leaders to their foundation’s board, which can easily result in other problems, such as a decline in independence and the shrinking innovation potential of these foundations.

Unfortunately, the danger of a conflict between the board members and the foundation employees is almost negligible because only 15 % of the R&I oriented foundations have any kind of employees; all the others work with volunteers.

**Table 8: Number of employees in the foundations supporting R&I, 2011 (N=642)**

Employment type	Number of employees	Percentage
Full-time employment	303	68.9
Part-time employment	98	22.3
Temporary employment, conditions specified by contract	39	8.8
<b>Total</b>	<b>440</b>	<b>100.0</b>
Full-time equivalent (FTE) number of employees	340	–

Source: Database of the Central Statistical Office

As shown in Table 8, the total number of employees is extremely low.<sup>[23]</sup> In addition, almost one third of the actually employed 440 persons work either part-time or on a temporary basis. This also means that only a very small part of the Hungarian foundations have any chance of being managed in a professional way.

### 3.6.2 How do grantmaking foundations support research?

Both the shortage of paid staff and the large number of satellite foundations are likely to have an impact on the selection of grantmaking methods. A proactive search for projects through competitive calls for proposals or otherwise is only possible if knowledgeable people (ideally experts from the specific field in which the foundation operates and a competent support team) are dealing with it. Since neither of them are available for the overwhelming majority of Hungarian foundations, it is not surprising that waiting for applications, or even simple written or oral requests, proved to be the only technique for almost two-fifths of the grantmaking foundations. Another two-fifths of the foundations also waited for applications but used some other, more proactive techniques, as well. (Figure. 23).

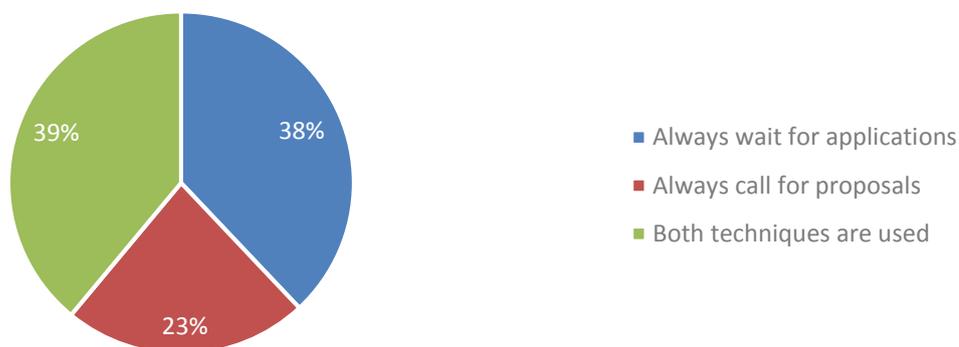
The competitive calls for proposals are especially rare in the case of satellite foundations, whose supportees are mainly the parent institutions themselves together with their employees and clients. Although it happens that these latter (e.g. professors, researchers) have to formally apply for grants, they generally do so on their own initiative and not as a response to a call for proposals. Decisions on direct grants for

23 Official statistical data must be used here because the estimation of the number of employees based on the EUFORI survey is misleading due to the extremely small number of responses (N=20; FTE=59).

parent institutions are most often based on an informal agreement between the foundation’s board and the institution’s top managers.

**Figure 23: Application procedures in the practice of grantmaking foundations**

As a percentage of the total number of foundations (N=118)

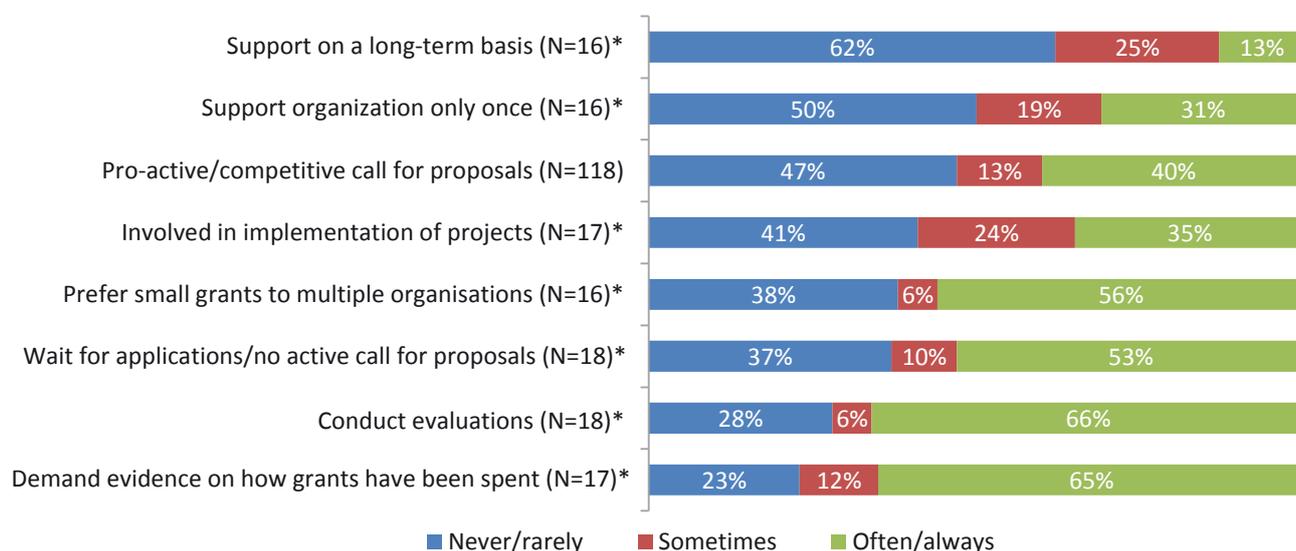


Source: EUFORI survey

As Figure 24 shows, demanding evidence on how grants have been spent and even conducting evaluations are quite frequent among the respondents. By contrast, the survey results reveal that support on a long-term basis is definitely not a ‘daily practice’ within Hungarian grantmaking foundations.

**Figure 24: The daily practices of grantmaking foundations**

As a percentage of the total number of foundations



Source: EUFORI survey

\* The very low N is explained by the fact that only the grantmaking foundations who had decided to fill in the full version of the questionnaire had to answer these questions. (The shortened version only included the questions about the call for proposals.)

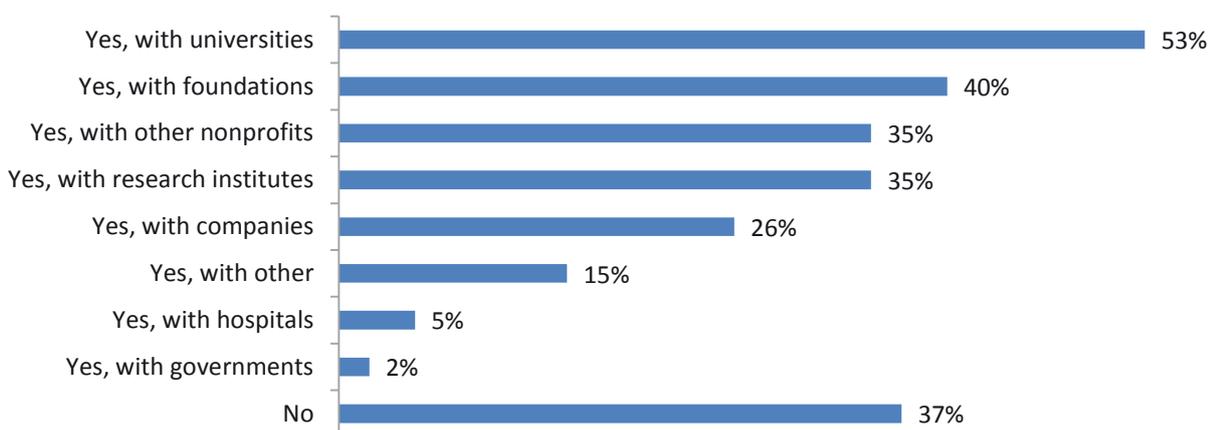
The strong preference for small grants by multiple organisations is probably due to the limited resources available for foundations. As a matter of fact, most Hungarian foundations would be unable to offer huge grants even if they selected very few grantees, because the amount they are able to distribute is very small indeed.

### 3.6.3 Engagement in partnerships

Despite this financial weakness, more than one third of the R&I-oriented foundations tried to work alone in 2012; they did not engage in partnership with any kind of potential partner (Figure 25). As it was to be expected, higher education institutions proved to be the most ‘popular’ partners; about half of the respondent foundations co-operated with them. Partnerships with foundations, other nonprofit organisations and research institutes were also common. By contrast, co-operation with governments was extremely rare.

**Figure 25: Partnerships, 2012**

As a percentage of the foundations, multiple answers possible (N=43)

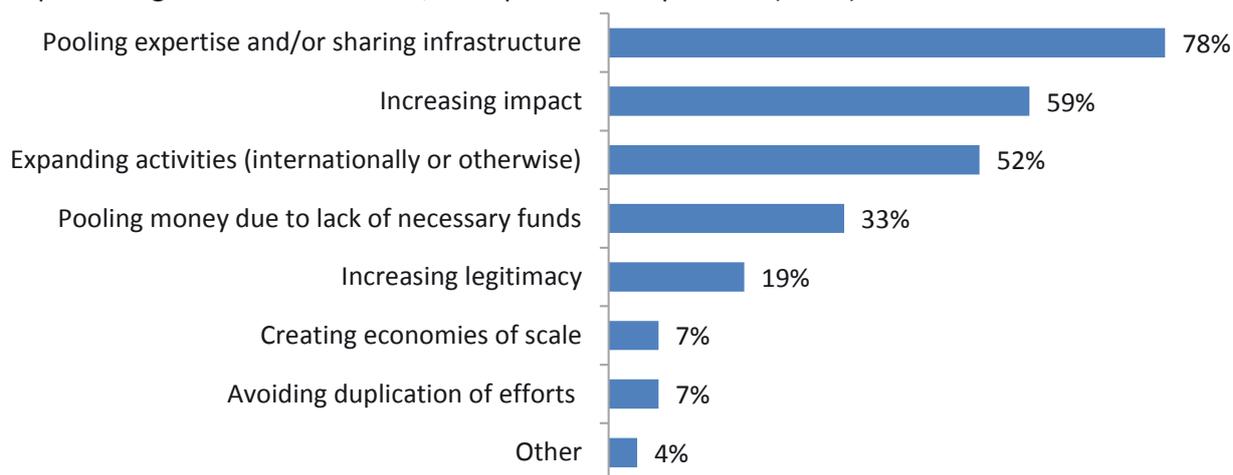


Source: EUFORI survey

Pooling expertise and/or sharing infrastructure seemed to be the single most important consideration behind co-operation decisions; almost four fifths of the respondents selected this option when answering the ‘why’ question in the survey (Figure 26). Increasing impact and expanding activities were also among the more frequently mentioned reasons for engaging in partnerships, while creating economies of scale and avoiding duplication efforts did not really motivate co-operation decisions

**Figure 26: Motivation partnerships, 2012**

As a percentage of the foundations, multiple answers possible (N=27)



Source: EUFORI survey

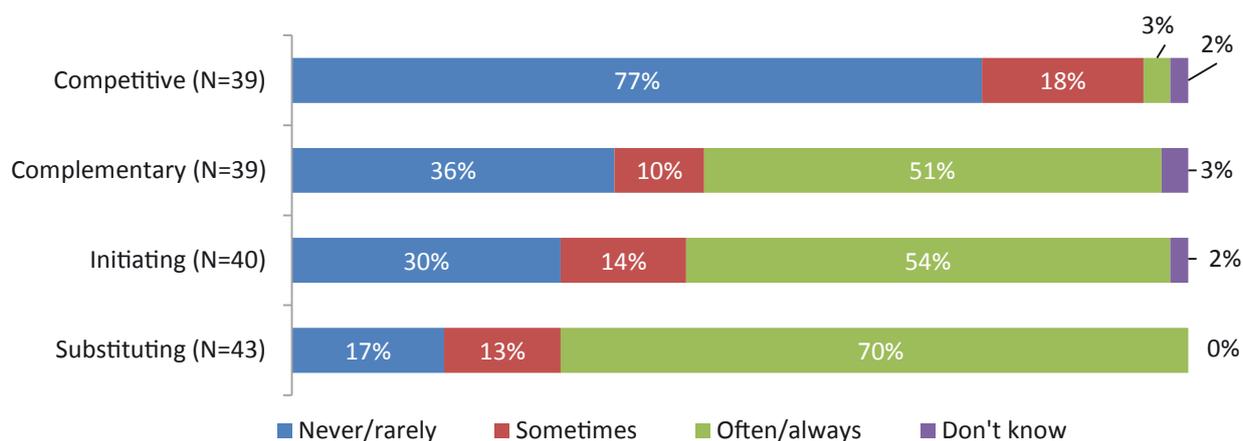
## 3.7 Roles and motivations

### 3.7.1 Roles

Our survey results (Figure 27) suggest that the most important role of foundations is to take on government functions and to participate in the provision of public and quasi-public goods. However, the noticeable importance of this substituting role does not mean that Hungarian foundations are so different from the European ones that 'do not appreciate the idea of being involved in substituting the state' (Anheier and Daly, 2007, p. 30). The explanation for this probably lies somewhere between parsimonious government support for research and the legal regulations that make public benefit status and tax privileges available for foundations only if they take on government tasks.

**Figure 27: The roles of foundations, 2012**

As a percentage of the total number of foundations



Source: EUFORI survey

The respondents attached less importance to the complementary and initiating roles than to the substituting ones, but still more than half of them indicated that they often or always played these roles. By contrast, the vast majority of the foundations stated that they never behaved in a competitive way.

### 3.7.2 Motivations

Different participants in the field of research and innovation obviously have different motives when they decide to establish, run or support foundations. The selection itself of the foundation form is probably an indicator of their willingness to take the initiative, and to do something more or less independently from the government and the business sector.

One of the most easily noticeable motives behind the establishment of a foundation supporting R&I is the initiators' deep commitment to the cause of scientific development, social and technical innovation, and/or the introduction of research results into practice. The majority of our interviewees referred to the importance of their organisation's mission, be it the mobility of the researchers, the publication of a prestigious scientific journal, the spreading of social innovation, or the preservation of the memories of great scientists or Holocaust victims.

Beyond this commitment, the people active in the foundation sector may also have their own personal motives. There are professionals (researchers, professors, doctors etc.) for whom foundations are only vehicles for raising funds and supporting the public institution where they are employed. Other professionals use foundations as an institutional framework for their research activities, as an organisation that is prepared to host different kinds of research project and to provide them with infrastructural and administrative services. It also happens that the initiators of foundations have purely emotional motives, such as in the following example:

The initiator – the current secretary of the board, our interviewee – was touched due to his accidental injury being treated successfully in the traumatology department of the county hospital that is famous for its former leading orthopedic surgeon. This is how he decided to create a foundation named after this surgeon in order to support the scientific activities of this department.

Some kind of foreign impact may also become a source of motivation for researchers, especially in countries outside the mainstream of social and economic development. This kind of inspiration (participation in an international project) played a decisive role in the establishment of one of the most prestigious foundations in Hungary:

The foundation was established on the initiative of social policy experts who were inspired by a successful project focusing on social partnership supported by the British Council. During the international closing workshop in London in 1996, the Hungarian team decided to establish a foundation to continue the work. They created the foundation in order to implement innovative projects and action research.

Private individuals are obviously not the only possible founders. As we have already seen, one can also find public institutions, government agencies and companies among the initiators of the establishment of R&I-oriented foundations. The motivations of these public players are generally very simple. They want to attract additional funds and sometimes talented researchers with the assistance of their foundation. The motivations of business firms are a bit more complex, as it is reflected in our interviews:

*The company is committed to contributing to research and higher education only in the fields that are close to its own profile.*

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*Several accidents had happened in both the companies participating in the establishment of the foundation for the development of emergency surgery. This is why it was relatively easy to win their support.*

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*Such a huge company as Richter is expected to devote resources and be socially responsible, as well as to be responsible for the environment.*

---

Besides the obvious business interests, marketing and PR considerations (e.g. the media coverage of award announcements), companies may have at least two other motives. They may realise that the foundations' activities are indirectly important and useful for them, or for their employees and/or clients. In an ideal case, they can also be aware of their social responsibilities, thus becoming motivated to promote good causes, including research and innovation.

# 4 Innovative Examples

Four concrete examples of successful and innovative activities of Hungarian foundations in the field of R&I will be described in this chapter. However, these four examples represent five different types of innovative practice, namely:

- successful partnership,
- engaging the public interest in research,
- making use of knowledge put into practice in a different sector and having a major impact on that sector,
- financing a pilot of an innovative project,
- assistance in a new product's introduction to the market.

While selecting the innovative examples, we equally relied on indications given by our interviewees and survey respondents, on the annual reports and websites of foundations involved in R&I activities and on the writings of scholars who have analysed innovative projects.

Example 1: The success of the Researchers' Night (<http://www.kutatokejszakaja.hu>) is not only the outcome of the collective efforts and co-operation of foundations and their partners, but is also an example of increasing public interest in research. The idea is of European origin, <sup>[24]</sup> but the Tempus Foundation has played an important role in its adaptation and development into a country-wide series of well-known and popular events in Hungary. It has organised a large consortium of universities, R&I foundations and research institutes in order to make research results available to a broader audience; to turn the focus of the wider public onto researchers and their career potentials; and to break down the stereotypes concerning science and its position in the world. The participating organisations offered not only scientific presentations; their visitors could also participate in experiments and games. Another consortium coordinated by the Bay Zoltán Foundation for Applied Research joined the movement in 2010. The latter significantly widened the project; it organised events in public places including secondary schools and the laboratories of multinational companies. The activities also became more varied and in some ways more entertaining; the traditional programs were completed by shows, demonstrations, exhibitions, competitions, roundtable discussions, and even by concerts and theatre plays.

According to the Tempus Foundation's annual report (<http://www.tpf.hu>), about 2700 programs were organised in 73 different institutions (universities, laboratories, botanical gardens, observatories, secondary schools etc.) in 2012. These events attracted more than 65 000 visitors. As one longitudinal survey (Geambaşu et al., 2013:52) pointed out, the visitors consisted of three major groups: high school students,

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24 Researchers' Night projects (funded within the Seventh Framework of the European Union) have been run in several member states of the EU since 2005. Hungary joined the project in 2006.

young adults and young parents. ‘Whereas high school students are more eager to “learn” and acquire more pieces of information, young adults – university students or graduates – see the Researchers’ Night as an encounter with a different world. Lastly, young parents with children look for quality leisure programmes, and at the same time they are determined to channel children’s interest towards science.’

The collaboration itself between the organisers was almost as important as the achievements of the Researchers’ Night project because it enabled the members of the consortia to learn about each other, to raise funds and to develop mutual trust – all indispensable for further co-operation.

Example 2: The SZIA Quality Model is a nice example of making use of already existing knowledge by putting it into practice in a different sector and having a major impact on that sector. Quality assurance models (e.g. ISO, TQM) have been in existence in the for-profit sector all over the world for several decades. Their introduction also took place in Hungary after the political changes of 1989 thanks to the subsidiaries of multinational firms which brought with them their business culture. Their example was followed by health and educational institutions quite quickly, but quality assurance policies were still not present in social care in the early 2000s.

The Social Innovation Foundation (<http://www.szia.org>) recognised the problem and launched a project in order to develop quality standards for the nonprofit organisations providing social services in 2006. This project resulted in a new quality management system called the SZIA Quality Model. Although this model is obviously based on the formerly existing quality assurance and quality management systems, its innovative character is indisputable, not only because it was worked out with special attention to the needs of nonprofit social services, but mainly because interaction with the service providers was a crucial part of its development. With some professional help and assistance from the Social Innovation Foundation, the management staff of the social care organisations participating in the project can set up quality standards, create their own quality handbook and constantly develop their quality system. The quality standards are based on the capacity of the organisation, and can be modified during the process if they need fine tuning. The Foundation also helps service providers with the preparation for the process they have to go through in order to get a certificate from a third party expert.

The introduction of the SZIA Quality Model was successful; the Social Innovation Foundation worked with approximately 60 social service providers, and found that the model worked well. ‘The organisations which had a SZIA Model in place, are clearly doing better in weathering the economic crisis than those who did not use the new organizational tool.’ (Hegyesi, Talyigás and Van Til, 2014:8)

Example 3: The support of the National Foundation for Employment (<http://www.ofa.hu>) for the Romani Design (<http://www.romanidesign.hu>) is an example of financing the pilot of an innovative project and also an example of a much more ambitious initiative, the promotion of a new legal format called ‘social cooperative’, which can be regarded either as an institution belonging to the sphere of the social economy or as a social enterprise. <sup>[25]</sup> Social cooperatives are supposed to combine the economic development and

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25 The concepts of social economy and social entrepreneurship are definitely underdeveloped in Hungary compared to other countries in the European Union. This is why there is a need for their promotion.

community development roles. Their tasks are to create jobs for their disadvantaged members and to facilitate their social integration, as well as their contribution to the alleviation of social problems. Income generation is one of their aims, but they also offer their members an opportunity to work in a community where they can participate, not only in actual production or service provision, but also in planning and decision making.

The creation and development of the social cooperatives (including Romani Design) was successfully supported by the National Foundation for Employment using mainly EU funds. The Foundation organised training for social entrepreneurs and the future managers of social cooperatives; they published handbooks and other methodological materials; and they offered seed money and assistance.

One of the beneficiaries of these grants and professional assistance, the Romani Design, aims to decrease prejudice against the Roma people in Hungarian society through integrating the traditional decorative elements of the Roma culture into fashion (especially items of clothing and jewellery). It also wants to encourage the Roma people to be proud of their culture. Since its establishment in 2009, this social cooperative has organised several fashion shows in order to foster knowledge about and acceptance of the Roma culture. It has managed to create a trend <sup>[26]</sup> of designing outfits that reinterpret traditional motifs and materials, transferring them into modern forms (<http://thegyptchronicles.net/romani-design>). It is also attempting to alleviate the unemployment problem; about half of its employees, both Roma and non-Roma, were previously among the long-term unemployed.

Example 4: The in-kind support received by Deldesign Ltd. (<http://www.deldesign.hu>) as a participant of the UNI-SPIN Mentoring Program (<http://spinoff.nyme.hu>) is an example of assistance in a new product's development and introduction to the market.

This mentoring program is run by the Foundation for Higher Education in Sopron and the NYME-ERFARET Nonprofit Ltd. <sup>[27]</sup> Its major objective is to facilitate the transfer of research results, knowhow and technology from academia to industry. In order to achieve this aim it supports innovative start-up companies that are trying to transform scientific discoveries into products which meet the market needs of today and the future. It helps both the establishment of and the everyday work of these firms, providing them with infrastructural and professional services and assisting them with product development and marketing.

Deldesign Ltd's new product, whose introduction to the market is aided by the mentoring program, is a set of specifically designed glazed ceramic tiles that can be fixed onto a wall and serve as a guiding line for the disabled. Every part of the product has a different meaning. A series of convex spots become closer and closer together when the user is getting near to a crossing or to potential sources of danger. Since this guiding line consists of tiles that are equally colorful and tangible, it can help people with different kinds of disabilities. Another advantage is that the tiles are on walls, so they do not hinder the physically handicapped people in their movement.

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<sup>26</sup> In fact, other social enterprises have been created (e.g. Matyó Design – helped by the previously mentioned Social Innovation Foundation) that also try to introduce folk art motifs into fashion.

<sup>27</sup> Here again we see an example of partnership between a foundation and another organisation in supporting innovation.

This mentoring program offers several types of in-kind support to the Deldesign Ltd, including training, office facilities, and administrative and financial assistance. The product itself was protected by a patent with the legal assistance of some supporters. They also helped out with the presentation of its prototype at some trade exhibitions. (It even won an innovation award at one of them.) However, the last step, the marketing of the product is yet to be taken.

# 5 Conclusions

## 5.1 Main conclusions

Although foundations supporting R&I are fairly numerous in Hungary, they do not carry much weight in economic terms. Their total income barely exceeds EUR 40 million, and only one-third of their total expenditure serves research and innovation purposes. Moreover, the majority of their revenue comes from foreign sources (mainly from the EU Structural Funds and from foreign governments), thus their long-term sustainability is not guaranteed.

However, the centralisation efforts of the present government are making every alternative source of funding (including grants from independent foundations) extremely important. While fighting for their survival, several foundations are trying to cope with this challenge. They are working very hard to carry out high quality research, to launch innovative projects, to support otherwise underfinanced research institutions, to promote scientific communication, researchers' mobility and the dissemination of research results.

On the basis of the EUFORI study results outlined in the Chapter 3, we may be able to identify some development perspectives and put forward some recommendation for the near future. As a first step, it seems reasonable to take stock of the strengths and weaknesses of the Hungarian R&I foundation sector.

## 5.2 The strengths and weaknesses of the R&I foundation sector in Hungary

The main strength, and, at the same time, the largest internal reserve of R&I-oriented foundations is that there are plenty of top experts among their leaders and volunteers, who are ready and willing to make enormous efforts to reach their organisations' professional goals. Some of the foundations were established because highly dedicated professionals wished to work at an outstanding level, free from bureaucratic requirements; and many others because different stakeholders wanted to support these efforts. Most of these people still react to problems in a proactive and solution-oriented manner.

The commitment and strong professional identity of the foundations' leaders make them capable of mobilising their potential partners and volunteers and carrying out well-coordinated work. This often helps them bridge the gap between their aspirations and financial opportunities, as do their existing networks, the more or less strong relationships with former partners and grantees who might become important supporters. As one of our interviewees stated, 'In-kind support is provided by former research fellows; most of them are "expected" to contribute to the foundation through the assessment of the current proposals on a voluntary basis.'

Another strength of the foundations is their flexibility and innovative character. Since they are mainly free from outside control, they can adapt their activities to the changing environment (e.g. new scientific challenges, changes in market demand or in the content of calls for proposals) fairly easily.

Reliability is another of the foundations' strengths. According to one of the interviewees, 'the fact that we operated in a nonprofit frame raised trust among market players.' Trustworthiness makes it easier to find support, win contracts and attract projects looking for host institutions compared to the for-profit players, let alone the bureaucratic public institutions. The latter have quite a bad reputation in Hungary; 'a university would swallow up the project budget, the money would disappear into its maze.' As another of our interviewees explained.

Finally, building partnerships is a skill foundations have had to develop in order to fulfill their missions. In principle, this skill can also be mobilised in organising advocacy activities.

However, these strengths fail to counterbalance the weaknesses of R&I-oriented foundations. Their greatest problem is the lack of appropriate funds. Not even the largest foundations have big endowments that can produce a stable yield. The level of their operations and the size of the grants they can allocate depend on their current income. Their income-generating activities use up a great deal of energy, often transforming organisational structures and values. Participation in open competitions for grants and the preparation of proposals usually involve a number of bureaucratic obligations, while obtaining grants in informal ways tends to lead to economic and political dependence. In order to have access to sources, there is often a need for compromise, or even the modification of a foundation's programs or, perhaps, giving up its original mission.

In a considerable number of foundations there is weak financial control and unprofessional management. The lack of financial knowledge is a general phenomenon among board members and the employment of a financial manager or any other financial expert is out of the question in most cases. Moreover, very few foundations can employ any kind of well-paid full-time employees. This is all the more problematic because voluntary boards (mainly consisting of scholars busy with their own research activities) are rarely prepared for professional fund raising, management, communication or marketing activities, especially not on a daily basis.

Another weakness is that foundations do not define themselves as a community. There is regular dialogue only between organisations that deal with similar topics. Between different areas there is an inadequate exchange of information and poor co-operation. The foundation sector is politically and economically divided; relationships are all too often characterised by mutual distrust and rivalry instead of solidarity. As a consequence, advocacy is extremely weak; there is no umbrella organisation that could undertake the task of lobbying for common interests or of exerting significant pressure on legislation, or on financial and political decisions concerning the research and innovation field. Under the present conditions this lack of lobbying power seriously threatens not only the development but even the survival of the foundations supporting research and innovation.

## 5.3 Recommendations

Facing threats, if done in time, always presents us with an opportunity for making conscious efforts to reinforce positive tendencies. If Hungarian foundations were able to set aside internal conflicts and selfish considerations, they would still have a chance of organising efficient advocacy activities. Their common efforts might persuade political decision-makers to treat them as partners. In parallel, a consensus-based ethical code guiding the foundations' behaviour should be developed. Consistent regulation and the voluntary acceptance of jointly shaped norms could significantly increase the prestige, the social recognition and respect, and also the public and private support for foundations.

In Hungary, an EU member, there is some chance that the principle of subsidiarity, besides its general acceptance in declarations and political programs, could also be implemented in practice. Reform guided by such a concept and by the establishment of the appropriate financial schemes would significantly improve the economic conditions, financial sustainability and growth potential of the operating foundations.

There is a remarkable opportunity for the expansion of the foundations' human resources. For the last decade, different higher education institutions and training centres have trained a large number of non-profit managers who have acquired the skills necessary for managing foundations, for organising their professional fund-raising activities and for applying all kinds of research results into their everyday work. Since a generational change in the leadership of the foundations created in the early 1990s is going to happen anyway, the emergence of new leaders is predictable. On the 'supply side', all the conditions for a more professional nonprofit management seem to have been met, so one can hope for a more efficient, more self-confident and more influential foundation leadership in the future.

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# 7 Annex

**Annex table 1: Statistics income, 2012**

Number of foundations	240
Mean in Euros	179 509
Median in Euros	7 876
Total income in Euros	43 082 076

**Annex table 2: Sources of income, 2012**

Source of income	Amount in Euros
Income from an endowment (N=11)	33 764
Donations from individuals (N=12)	6 690
Donations from for-profit companies (N=11)	154 943
Donations from other nonprofit organisations (N=5)	25 763
Income from the government (N=17)	1 024 863
Service fees, sales, etc. (N=15)	290 111
Other (N=7)	947 186
Unknown	40 598 756
Total income	43 082 076

**Annex table 3: Statistics assets, 2012**

Number of foundations	233
Mean in Euros	111 857
Median in Euros	17 915
Total assets in Euros	26 062 762

**Annex table 4: Distribution of assets, 2012**

Assets	Amount in Euros
Current assets (N=27)	1 004 586
Long-term investments in securities (N=28)	133 692
Long-term investments in fixed assets (N=28)	197 258
Long-term investments in special funds (N=28)	673
Other (N=27)	26 746
Unknown	24 699 807
<b>Total assets</b>	<b>26 062 762</b>

**Annex table 5: Statistics expenditure, 2012**

<b>Number of foundations</b>	<b>238</b>
Mean in Euros	178 737
Median in Euros	7 761
<b>Total expenditure in Euros</b>	<b>42 539 506</b>

**Annex table 6: Distribution of expenditure according to purpose, 2012**

Purpose	Amount in Euros
Research (N=227)	10 562 760
Innovation (N=227)	2 506 056
Other purposes (N=227)	28 943 111
Unknown	527 579
<b>Total expenditure</b>	<b>42 539 506</b>

**Annex table 7: Distribution of expenditure on research, 2012****Direct vs Research related**

Type of activity	Amount in Euros	Percentage
Direct research (N=42)	871 113	8.3
Research related (N=42)	930 184	8.8
Unknown	8 761 463	82.9
<b>Total expenditure on research</b>	<b>10 562 760</b>	<b>100.0</b>

**Annex table 8: Distribution of expenditure on research, 2012****Basic vs Applied**

Type of research	Amount in Euros	Percentage
Basic research (N=37)	284 963	2.7
Applied research (N=37)	775 120	7.3
Unknown	9 502 677	90.0
<b>Total expenditure on research</b>	<b>10 562 760</b>	<b>100.0</b>

**Annex table 9: Distribution of expenditure on research, 2012****Grants vs Operating costs**

Type of spending	Amount in Euros	Percentage
Grants (N=39)	729 830	6.9
Own operating costs (N=39)	317 509	3.0
Other (N=39)	265 300	2.5
Unknown	9 250 121	87.6
<b>Total expenditure on research</b>	<b>10 562 760</b>	<b>100.0</b>

**Annex table 10: Distribution of expenditure on innovation according to type of spending, 2012**

Type of activity	Amount in Euros	Percentage
Grants (N=197)	15 627	0.6
Own operating costs (N=200)	64 276	2.6
Unknown (N=200)	2 426 153	96.8
<b>Total expenditure on innovation</b>	<b>2 506 056</b>	<b>100.0</b>

**Annex table 11: Distribution of expenditure on research according to thematic area, 2012**

Thematic area	Amount in Euros
Natural sciences (N=6)	26 139
Engineering and technology (N=2)	5 763
Medical sciences (N=3)	20 263
Agricultural sciences (N=2)	19 119
Social and behavioural sciences (N=8)	222 928
Humanities (N=3)	6 251
Other (N=0)	0
Unknown	10 262 297
<b>Total expenditure on research</b>	<b>10 562 760</b>

**Annex table 12: Distribution of expenditure on research-related activities, 2012**

Activity	Amount in Euros
Research mobility and career development (N=6)	9 458
Technology transfer (N=0)	0
Infrastructure and equipment (N=5)	32 153
Dissemination of research (N=12)	62 668
Sciences communication/education (N=6)	80 800
Civic mobilisation/advocacy (N=5)	4 434
Other (N=1)	67 797
Not specified into categories (N=0)	0
Unknown	672 874
<b>Total expenditure on research-related activities</b>	<b>930 184</b>

**Annex table 13: Distribution of expenditure on research and/or innovation according to geographical focus, 2012**

Geographical level	Amount in Euros
Local or regional level (N=31)	153 454
National level (N=31)	3 226 364
European level (N=35)	56 414
International level (N=34)	429 805
Unknown	9 202 779
<b>Total expenditure on R&amp;I</b>	<b>13 068 816</b>



Ireland Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Gemma Donnelly-Cox  
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Research and  
innovation



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# 1 Contextual Background

*‘The considerable increase in public and private R&D expenditure over the decade 2000–2010 has resulted in a clear shift to a knowledge–based economy, including a shift towards services. The Irish economy has a high proportion of knowledge–intensive products and services, and this structure has not changed substantially over the last decade*

*(European Commission, 2013: 1)’.*

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*‘The overall level of State funding for STI (science, technology and innovation) should be reduced by €100m across all sectors...The Group also recommends that future R&D allocations are targeted at projects with commercial potential*

*(Government of Ireland, 2009: 69)’.*

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*‘The production line of PhDs is outpacing industry’s absorptive capacity. The largest verifiable output to date appears to be the publication of articles as opposed to more concrete measures of economic returns*

*(Government of Ireland, 2009: 79)’.*

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Through the application of the EUFORI analytical framework to R&I foundations in Ireland, we have established that the field of foundation philanthropy is small, and foundation funding for research and innovation comprises a very small part of it. On one level, this is no surprise. Donoghue's review of the total population of foundations in Ireland (2004, 2007) concluded that there are very few Irish grantmaking or operating foundations. Anheier and Daly (2007) classify Ireland as a statist peripheral welfare regime (Anheier and Daly, 2007) – one in which the importance of foundations is low, and the ones that do exist tend to function as service providers that compensate for the shortcomings of the State. However, on another level the relative absence of R&I foundations is quite puzzling. Ireland has a large nonprofit sector and an economy that is highly dependent on investment in research and innovation. As the second and third citations quotations on the previous page illustrate, in the current period of economic austerity in which the State continues to cut its investment in STI, there appears to be a clear rationale for increased levels of private investment in research and innovation.

In this report on R&I foundations in Ireland, we start by reviewing research on foundations in Ireland in general. An analysis, largely conducted by one scholar (Donoghue, 1998, 2004, 2007), has provided a picture of a small sector with many features particular to Ireland. From the mid-2000s, on the back of an economic boom and increased public sector support for the promotion of private philanthropy, there was some discussion of philanthropy in the popular press and some initial promotion of foundations as philanthropic vehicles (see for example Gaffney, 2008; Molloy 2008; Wilhelm 2008).

From mid-2008 onwards, there have been cross-cutting influences affecting the field. The most dramatic of these is the knowledge that the largest grantmaking foundation in the country, the Atlantic Philanthropies, will cease operations in Ireland by the end of 2016. Whilst Atlantic is not an R&I foundation, it has played a critical role, particularly in the period 1998-2010, as a foundation that supports R&I. Atlantic has operated in Ireland for nearly two decades and as will be detailed in this report, has jolted the philanthropic landscape through its own and its joint programs of grantgiving, and through its support for the development of a philanthropic infrastructure. Other factors include the very difficult financial conditions that have contributed to a challenging resource environment for philanthropy (Healy and Donnelly-Cox, 2016 forthcoming). There have also been a number of institutional developments which ultimately should facilitate philanthropy. The 2009 publication of the Charities Act has strengthened the institutional context in which philanthropy operates. Not least of its provisions is a much clearer regulatory framework. Collaboration between philanthropy and the State has been manifest in the operation of the Forum on Philanthropy, a cross-sector body that is currently leading the National Giving Campaign with the aim of growing planned giving within the country by 10 % per year.

In the following Chapter, we briefly describe the foundation landscape including its approximate size, foundation assets and expenditure, and its historical profile. We then turn to foundations' limited historical involvement in the field of research.

## 1.1 Historical background

While the informal philanthropic tradition in Ireland is considered to be strong, with individual giving accounting for one quarter of the annual income of charitable and nonprofit organizations, planned giving and other elements of Ireland's 'philanthropic infrastructure' are comparatively weak.<sup>[1]</sup> In her recent study of women and philanthropy in Ireland, Harrison notes that 'while Ireland has a strong tradition of giving with a large majority of the population giving to charity, the general public and the media tend to be distrustful of larger scale philanthropy...a hallmark of philanthropy in Ireland is that it has tended to take place in a private way and below the radar' (Harrison, 2014). There is a sharp divide between planned and unplanned giving, with high levels of informal giving; strong responses at the level of the individual to crises and individual cases of need. In contrast, less than 15 % of individual giving is planned, compared with 36 % in the UK (Forum on Philanthropy, 2012); there are an estimated 30 grantmaking foundations of any scale in Ireland as compared to 8000 in the UK (McKinsey and Co, 2010). In a review of planned giving in Ireland conducted in 2010, McKinsey and Company characterised the philanthropic infrastructure as weak, with a very small population of grantmaking foundations and limited use of planned giving vehicles such as donor advised funds, charitable bequests or philanthropic foundations. Indeed, a striking feature of the philanthropic landscape in Ireland is the small size of the foundation sector when compared with the large nonprofit sector (Donoghue, 2004).

## 1.2 The legal and fiscal framework

The Irish foundation sector does not have a separate legal and fiscal framework, as in Ireland there is no distinction made in law between philanthropic foundations, charitable trusts and other charitable organisations. As Donoghue noted in 2004, 'Charities do not have legal personalities of their own, and organisations with charity numbers usually take on another legal status, such as incorporating as a company limited by guarantee in order to gain a legal personality. Foundations in Ireland, therefore, can be charitable trusts (with a CHY number) and companies limited by guarantee, but, unlike in other countries, to be a "foundation" does not, by itself, infer or confer a separate legal personality or legal recognition (Donoghue, 2004). To establish a 'foundation' in Ireland, whether grantmaking or operating, the following steps would need to be taken:

- Select a legal form – either a trust or a company.
- Draw up governing documents that define charitable purposes.
- Draw up a Statement of Activities and a Financial Statement.
- Appoint trustees (trust) or directors (company).
- If forming a company, incorporate it.

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<sup>1</sup> Increasing giving overall, and increasing the proportion of giving which is planned has been identified as a priority by both the State and the philanthropic sector in Ireland (Harrison 2014). The State-initiated Forum on Philanthropy and Fundraising has set a target to increase philanthropic giving from around EUR 500 million per annum to EUR 800 million by 2016 (Forum on Philanthropy and Fundraising, 2012).

To obtain charitable status and the associated tax exemptions, a foundation would need to demonstrate that its particular purpose comes within one of these four broad categories:

- The relief of poverty.
- The advancement of education.
- The advancement of religion.
- Other purposes beneficial to the community.

It would then need to take the following steps in application for charitable, tax exempt status:

- Provide details of the proposed activity, including governing documents, a Statement of Activities and a Financial Statement to the Revenue Commissioners.
- Apply for a tax registration number which is then submitted to the Charities Section of the Revenue Commissioners.
- If successful, the Revenue Commissioners will issue the company or trust with its charity number (the CHY number) (Revenue Commissioners, 2013).

Foundations enjoy the same tax benefits as other charitable organisations that secure tax exemption. The tax code provides exemptions for organisations with a CHY number as follows:

- Income Tax – Sections 207 and 208, Taxes Consolidation Act, 1997.
- Corporation Tax (in the case of companies) – Sections 76 and 78 Taxes Consolidation Act, 1997.
- Capital Gains Tax – Section 609, Taxes Consolidation Act, 1997.
- Deposit Interest Retention Tax (DIRT) – Section 266 Taxes Consolidation Act, 1997.
- Capital Acquisitions Tax – Sections 17, 22 and 76 of the Capital Acquisitions Taxes Consolidation Act 2003.
- Stamp Duty – Section 82, Stamp Duties Consolidation Act 1999.
- Dividend Withholding Tax – Chapter 8A, Part 6, Taxes Consolidation Act, 1997 (Revenue Commissioners, 2013).

In 2007, the government published a Charities Bill that included Ireland's first statutory definition of charitable purposes, the establishment of a Charities Regulatory Authority with an independent Regulator, a Register of Charities, a protocol for the qualification and disqualification of charity trustees, and accounting and reporting requirements for charities. The Charities Act was enacted in 2009. However, as of July 2014, the Charities Regulatory Authority was only being set up and the Register of Charities had not yet been established. While it has no specific provisions aimed exclusively at foundations, it is hoped that the provisions of the Act will underpin an effective regulatory framework and thereby enhance public trust and confidence.

## 1.3 The foundation landscape

The absence of a separate legal entity for foundations and the tendency of Irish charitable associations to use the name 'foundation' to confer fundraising legitimacy contribute to the challenges that arise in identifying the population of foundations in the country and in providing an overview of their role in supporting research and innovation.

In her 2004 study, Donoghue identified 115 organisations that would qualify as either grantmaking or operating foundations using the EUFORI definition. Of these, 26 were grantmaking. Of 95 foundations for which an object could be identified, 17 were classified as supporting education and research. While support for innovation was not classified as an object, being *innovative*, that is, working in areas not addressed by either the market or the State, was identified as the second most important role amongst Donoghue's respondents. Her analysis provides the most widely cited picture of philanthropic foundation activity in the country.

A different approach was taken to identifying the field in a 2012 report prepared by INKEx; a nonprofit organisation set up in Ireland to demonstrate the value of an online, searchable Guidestar-type database.<sup>[2]</sup> Drawing on the Revenue Commissioner's list of incorporated and unincorporated organisations in receipt of a CHY number (charitable exemption status) and annual returns to the Companies' Office from incorporated charitable organisations, INKEx identified 1 316 entities. The list included grantmaking organisations and 'fundraising charities' (INKEx, 2012: 36) such as charitable funds (often trusts), entities established to fundraise for another specified organisation or cause, funds set up by the employees of specific businesses, scholarship funds and benevolent funds. 831 were unincorporated and INKEx was unable to identify grantmaking activity for the majority of them. 7 % of the organisations had education and research as their primary object. INKEx did not use the category 'innovation' to classify the objects of these organisations. Drawing on annual returns available from the 485 incorporated bodies, the total income for 2009 was put at EUR 319 427 252, a decline of 12 % on the previous year's income. No information on assets was provided.

A final snapshot of the philanthropic foundation sector is offered by Philanthropy Ireland in their 2009 report on the philanthropic landscape. Based on a survey of their members (N=15), they calculated that foundation grants provided EUR 82 million in funding in 2008 and that 85 % of that total came from three limited life foundations that will close by 2016. In contrast to the Donoghue and INKEx pictures of the focus of funding, Philanthropy Ireland found that foundations are most likely to make philanthropic donations to organisations in the education and research sector.

From data outside the EUFORI study, we are unable to draw any definitive conclusions concerning the number of foundations/R&I foundations in Ireland, their assets and expenditure, the most important type of foundations, or the dominant field of support.

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2 INKEx - the Irish Nonprofit Knowledge Exchange - published a snapshot report on the Irish non-profit sector in 2012. It closed later the same year as its funding stream came to an end. The State decided not to continue funding it beyond its pilot phase and the State's funding partner, the Atlantic Philanthropies, declined to fund it if the State would not continue to partner in the funding process. No other funding stream for its activities could be identified.

There is a nascent collaborative infrastructure between foundations and the State in Ireland. There is no such infrastructure exclusively between R&I foundations and the government. In 2011, the current government re-established the Forum on Philanthropy that had been disbanded in 2009 at the height of the financial crisis in the country. Adding Fundraising to its mandate, the State worked with philanthropies and the representative body for fundraising bodies, and in 2012 reported on ways of increasing philanthropic giving (Forum on Philanthropy and Fundraising, 2012). Another example of collaborative infrastructure is Philanthropy Ireland, the country's umbrella body for philanthropic foundations. This organisation started out as The Funders' Forum. First convened by The Atlantic Philanthropies, the Funders' Forum's members were philanthropic foundations operating in Ireland. Atlantic organised development and training events for the membership. When the Forum was formalised as Philanthropy Ireland, its funding came from both Atlantic and the Irish Government. While it provides a good example of collaborative infrastructure for foundations, the fact that the membership body for Irish philanthropic foundations is in receipt of and dependent on State funding could also be seen as a sign of the limits of the foundation sector.

## 1.4 Research/innovation funding in Ireland

Key measures of research and innovation funding that allow for historical and cross-national comparison include gross domestic expenditure on R&D (GERD), business enterprise expenditure on R&D (BERD), government expenditure on R&D (GovERD) and higher-education expenditure on R&D (HERD). These expenditure figures provide a measure of research intensity within an economy and are usually presented as a percentage of the GDP. In the case of Ireland, however, the norm is to present them as a percentage of the GNP. The reason for this is that Ireland's economy is unusual in structure when compared with the rest of the EU in that most of its manufacturing industry is owned by multinational corporations. Large amounts of their annual profits are repatriated, leading to a large gap between the GDP – the total output of the economy in a period and the GNP – the total output less that sent or earned abroad.

Ireland's gross expenditure on R&D (GERD) in 2011 was EUR 2.7 billion (2.13 % of the GNP) (Department of the Taoiseach, 2013). The estimates for 2012 and 2013 are EUR 2.801 billion (2.17 % of the GNP) and EUR 2.874 billion (2.22 % of the GNP), respectively (ibid). The most recent year for which a breakdown of GERD is available is 2010, although the breakdown is for the GDP rather than the GNP. In that year, GERD was 1.79 % of the GDP (2.16 % of the GNP) (Forfás and NCC, 2012). BERD was 1.17 % of the GDP, HERD was 0.51 % of the GDP and GovERD was 0.05 % of the GDP (ibid).

Looking at R&I performance over the period 2000-2011, the different trajectories for HERD and BERD vs GovERD are striking. Over the period, GovERD declined from 0.11 % of the GNP in 2000 to 0.06% in 2011 (Forfás, 2013), while BERD rose from 0.76 % to 1.72 % (Forfás, 2014) and HERD from 0.26 % to 0.72 % of the GNP (Forfás, 2011).

Commenting on Ireland's research and innovation performance, the European Commission noted:

*Over the decade 2000–2010, R&D intensity in Ireland grew at an average annual growth rate of 4.9%, one of the highest growth rates in the EU. One of the main challenges for Ireland would be to return to a trend of increasing public investment in R&D which, if more related to business needs, would raise the R&D intensity of Irish firms. If this line were followed, the shift of the Irish economy towards a knowledge-based economy, already very visible, could be pursued over the years and a more ambitious target could be envisaged at the occasion of the mid-term review of the Europe 2020 targets (2014/2015) (European Commission, 2013).*

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We currently see evidence of the State trying to re-orient in this direction. For example, SFI, the country's State-funded R&I foundations, has re-directed its grant programme from blue-sky research to more applied research. However, the analysis of the country's R&D performance presented above differs strikingly from the conclusions reached in the McCarthy Report, the government's review of State expenditure and the blueprint for reducing government spending under conditions of austerity (Government of Ireland, 2009). The McCarthy Report queried whether any measurable benefits for the economy could be derived from the ramp up of R&D spending from 2000. The report indicated that government investment in R&D has brought about a surplus of PhD graduates and high levels of journal publications, but little commercial return. We will return to these contrasting views of Ireland's R&I performance in the Chapter 4.

Important influences on Ireland's R&I strategy include the Europe 2020 Strategy<sup>[3]</sup> and the National Reform Programme. The NRP provides an update on the continuing process of reform following Ireland's exit from the EU/IMF Bailout. Ireland's national target under the NRP in Research and Development is to raise combined public and private investment levels in this sector to 2.5 % of the GNP (c. 2.0 % of the GDP) (Department of the Taoiseach, 2013).

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3 Adopted in 2010, it aims to enable Europe to emerge stronger from the current economic crisis and to turn the European Union into a smart, sustainable and inclusive economy (Department of the Taoiseach, 2013)

Drawing on the European Commission's Innovation Union Scoreboard 2014, Ireland is classified as an 'innovation follower,' 'with innovation performance above or close to that of the EU average' (European Commission, 2014). On two of the Scoreboard's dimensions, 'Innovator' and 'Economic Effects,' Ireland is one of the leading performers (ibid. 5). The areas of performance which bring Ireland up on the Scoreboard and which show high levels of growth include being well above average on both international scientific publications and License and patent revenues from overseas. The report draws attention to the above average third-level education levels and high levels of PhD graduates, employment levels within knowledge-intensive firms and the levels of knowledge-intensive exports. Below average performance as well as significant growth decline is recorded in non-R&D innovation expenditure, Community designs and collaboration amongst innovative SMEs (ibid. 49).

Given the focus of this report, four low scores for Ireland on the Scoreboard stand out as significant. In Annex A, Current Performance, the Scoreboard lists Ireland as having significantly lower-than-EU-average performance scores for R&D expenditure in the public sector, venture capital investment, R&D expenditure in the business sector and non-R&D innovation expenditure. These scores and the interrelationship with the lack of a significant R&I foundation sector will be returned to in the fourth chapter.

While there is no formal collaborative infrastructure in the field of R&I, a number of organisations play an important role. Science Foundation Ireland, the only R&I foundation in the country, does collaborate with the universities and with the State bodies Enterprise Ireland and Forfás.<sup>[4]</sup> SFI's role is commented on more extensively in Chapters 4 and 5.

In summary, we have reported on the somewhat paradoxical case of Ireland: it is a country with low levels of foundation sector activity, very low levels of R&I foundation activity, and low levels of financial investment in R&I at the current time. On the other hand, it is a high-scoring 'Innovation Follower' and stands out on R&I performance in several categories when compared with the EU27. It is a country which has recorded high levels of development in R&I activity over the past decade and has benefited from government prioritisation of R&I. While there is no good time for a financial crisis, the 2008 collapse has created very trying conditions for the nation's R&I performance. It is a context which illustrates the gap that foundation funding could very usefully target.

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4 This statement could be challenged and needs to be further substantiated.

# 2 Data Collection

## 2.1 Identification of the foundations supporting R&I

Starting in August 2012, the Irish EUFORI team identified existing data sources and individuals who could either name foundations or point us to further sources of information. In the absence of an existing database or national register, we created a database of foundations supporting R&I in Ireland using two available lists and a snowballing strategy. Our team included the former Director of Philanthropy Ireland, the Irish body established to promote and support philanthropy in Ireland, as well as an experienced fundraiser. At the start of the process we expected that we would find a modest number of R&I foundations, perhaps 35 to 40 at most.

The most comprehensive existing data sources from which we could draw R&I foundations were :

1. Philanthropy Ireland's membership list of circa 30 philanthropic foundations, and
2. a list of circa 7 000 companies limited by guarantee without share capital and with charitable status, created by INKEx, (the Irish Nonprofit Knowledge Exchange) and a report on the Irish nonprofit sector created using those data (INKEx 2012).

The Philanthropy Ireland list provided foundation names and contact details for its members. The INKEx list provided the name of the organisation and in some cases also included date of establishment, charity number and object. The INKEx list was searched using the keywords philanthropy, foundation, trust, fund, friends, research and innovation to identify potential R&I foundations. We created a sub-list of entities from the Philanthropy Ireland and INKEx lists that we thought might be foundations that support R&I. We then reviewed the objects of each entity on the sub-list. Where no object was listed, a web search was conducted to establish the object. 127 potential R&I foundations were identified from the two lists and from our own knowledge of the foundation sector. We then moved into the snowballing phase of the search.

Between 24 October 2012 and 8 January 2013, the Ireland EUFORI team met six times to report on meetings conducted with informants in the snowballing process, to revise the list of potential foundations and then to finalise the list. At each meeting held with informants in the snowballing process, the informant was shown the list we had compiled and was then asked to identify further foundations or to query the inclusion of any of the listed foundations. The snowballing informants included the former President of Ireland's largest foundation supporting R&I, the Chief Executive of the Irish Research and Development Group, the Secretary of the Trinity College/University College Dublin Innovation Alliance, the Chair of the Irish Medical Research Charities Group and the Assistant Secretary (senior civil servant) in the Department of Education. We revised our foundation list after each snowballing meeting.

The snowballing process was informative, but not in the manner that we had imagined. The informants were all interested in our existing list of potential foundations and assisted us in removing irrelevant entries. However, they were unable to provide any additional foundations for our lists. At the end of the snowballing process, we had compiled a list of 53 foundations. Of these, we identified 15 that we regarded as 'typical' grantmaking or operating foundations as defined within the EUFORI study, of some size and economic significance. The remaining 39 were what we believed to be small or very small funds, most without paid staff or elaborated governance functions. We included them as we regarded them to be the more common institutional entities for ring fencing R&I funds in Ireland. We therefore consider the full list to be very representative of the whole sector. While it may be the case that there remain 'under the radar' foundations, they are unlikely to be either representative of the whole sector or significant in their contribution to R&I funding.

## 2.2 The survey

Prior to the circulation of the survey invitation from the EUFORI Office, we contacted 51 of the 53 foundations by email, advising that the invitation to take the survey would follow. We decided not to include a letter of endorsement with the invitation letter, but rather to follow up with non-respondents after the survey invitation was distributed.

By 1 July 2013, four foundations had responded and an additional five had written to say they would not respond. By 12 September 2013, 12 foundations had attempted the questionnaire. After a EURFORI study workshop in Amsterdam, we again invited those who had not completed the questionnaire to do so, and we offered the option of the shorter questionnaire. One additional foundation responded. We then send personal invitations to a selected number of foundations. Two further foundations responded. Of the 53 on the initial list, 15 answered the questionnaire and five indicated that they would not answer the questionnaire. A further two foundations that confirmed that they would answer the questionnaire chose not to do so.

## 2.3 The interviews

Given the size and nature of the foundation field in Ireland, it was important to contextualise the quantitative elements of the study with qualitative data. The qualitative part of the study commenced early in the use of snowballing interviews and was elaborated after the survey was completed with in-depth interviews with selected foundations. The qualitative data are important for contextualising and making sense of the quantitative data, extending knowledge where limited data is available, and exploring motivations of foundation funders.

- The EUFORI study foundations selected for qualitative interview were the Genio Trust, The Atlantic Philanthropies and Front Line Defenders. The Atlantic Philanthropies were selected as Atlantic is the largest philanthropy operating in the country and although it is not a R&I foundation, its total contribution to R&I is greater than any other foundation. The Genio Trust and Front Line Defenders were selected as examples of foundations that are both operating and grantmaking, and that operate in a manner that is particularly effective in the Irish context. The Genio Trust was established with a grant from The Atlantic Philanthropies, and State funding – both matching funding for the Atlantic Grant and

funding the State wishes to have distributed. Front Line Defenders was established with funding from one of the country's most significant philanthropists. It also received funds from The Atlantic Philanthropies. Both Genio and Front Line have grown and developed through a difficult operating period in which other Irish foundations have struggled to survive.

- In addition to the EUFORI project foundation interviews, individual interviews were held with Philanthropy Ireland and the One Foundation (a spend-down foundation that closed in 2014) and a round table was hosted with additional stakeholders who were able to provide perspectives on research and innovation funding and support for social innovation in Ireland. The participants in the round table discussion were the Director of Fundraising at Front Line Defenders <sup>[5]</sup> the Development Director of the Community Foundation of Ireland and the Chairman of Trinity College Dublin's fundraising Foundation.
- Information meetings were held with the Director of Trinity EngAge (a consortium of TCD ageing research projects, including the TILDA longitudinal study of ageing which has been heavily foundation funded) and the Director of the Trinity Innovation Alliance.
- Two members of the EUFORI Ireland team took part in a series of meetings on impact assessment in philanthropy, chaired by Philanthropy Ireland during the Spring of 2014. The participants included several of the study participants and discussions provided further insight into foundation perspectives on innovation.
- A final interview was conducted with Trinity College's Professor Emeritus of Innovation, Professor William Kingston. In this interview, the picture of Ireland R&I foundation sector as had emerged from the EUFORI data and from the qualitative interview was discussed. He offered comments and clarifications based on his extensive knowledge of patterns of R&I activity and investment in Ireland in both the public and private sectors and in the universities.

The EUFORI Project foundation interviews addressed the following topics:

- History of the foundation: founder(s) and their motivations/drivers for establishment; evolution of research and innovation objectives; key transition points in the development of the foundation and its funding focus.
- Major achievements: assessment of the impact on research and/or innovation in the field funded; individual examples of achievements.
- Decision-making processes: examples that illustrate how the granting process works: attempts to map individual case examples from start to finish (origin of the idea to evaluate/review the funding program).
- Governance modes and impact on decision-making processes.
- Foundation roles: roles that the foundation fills within the foundation field and within the resource pool for the lines of R&I it supports.
- Partnerships: within foundation field partnerships; cross-sectoral partnerships; cross-country partnerships.
- Future perspectives: plans for expansion/withdrawal/retrenchment; in cases of spend-down, a retrospective view.

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5 After the round table in November 2013, we decided to return to Front Line Defenders for the EUFORI project. Interviews with the Director and Deputy Director were held in May and June 2014.

There were very significant contrasts in perspective given the differing size, resource pool and timeframe that each foundation was working with. Furthermore, the decision-making processes varied significantly with the objects of each organisation. For example, the organisations differed in the manner in which they identified grantees, interacted with them and followed up after the grant period. The foundations were in agreement regarding the paucity of research and innovation foundation funding within the country and questioned whether there is in fact an R&I foundation sector in Ireland.

# 3 Results

## 3.1 Types of foundation

In the total respondent group (N=15), nine foundations support both research and innovation and four support research only. None supported innovation only. Two supported neither research nor innovation and thus did not answer any further questions, reducing the respondent group to 13. Of the total respondent group supporting research or research and innovation (N=13), six are grantmaking only and two are solely operating foundations. Five are both grantmaking and operating. Ten foundations indicated a percentage of expenditure on R&I. Of these, one funds R&I exclusively, four commit between 50 % and 100 % of expenditure to R&I and five commit more funds to purposes other than R&I. One foundation in the sample is public and was established by the Irish government. The year of establishment ranged from 1839 to 2007, with half of the sample established in 2000 or later.

## 3.2 The origins of funds

### 3.2.1

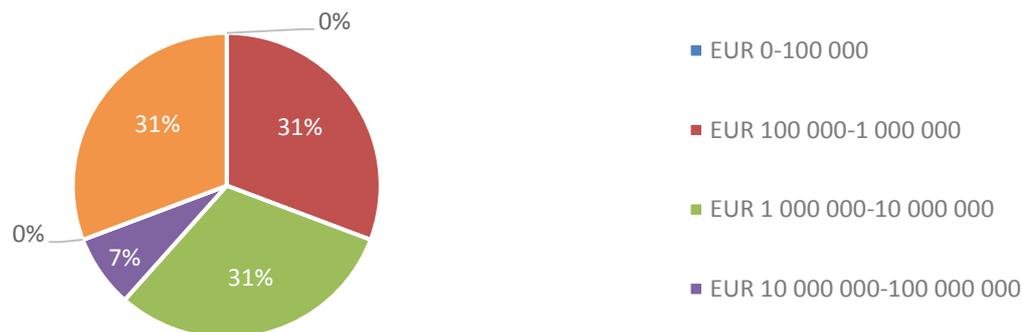
Five of the foundations that indicated their financial founder (N=9) were established by a private individual or family, and two by another nonprofit organisation. One was established by a hospital and one by another foundation. Within seven of those foundations, an appointed board is responsible for setting the annual strategy. The original financial founder is involved in setting the strategy in two of the foundations.

### 3.2.2

Nine foundations reported their total income (N=9), and while more foundations reported their source of income (N=12), the reported total income by source is only one third of the total reported income. The responding foundations (N=9) reported their total income for 2012 as EUR 37 438 622. The source of 55 % of their reported income is government funding (N=3). This percentage does not include the income of the one public foundation in the sample. 40 % of the remaining reported income was from nonprofit donations (N=5). Only one of the endowed foundations reported on the percentage derived from endowment income (1 %).

**Figure 1: Income categories of foundations reporting their total 2012 income (N=9)**

As a percentage of the total number of responding foundations (N=13)



**Table 1: Statistics on income**

Total number of foundations	13
Number of foundations reporting total income	9
Mean in Euros	5 159 847
Median in Euros	1 890 000
Total income in Euros	37 438 622

**Table 2: Sources of income**

Source of income (N=12)	Number of Foundations	Total income	% income by source
Endowment	1	98 000	0.26 %
Gifts from individuals	1	65 089	0.17 %
Corporate donations	2	314 614	0.84 %
Nonprofit donations	5	5 382 974	14.37 %
Government funding	3	7 458 734	19.92 %
Service fees	3	82 769	0.22 %
Other (fundraising)	1	14 699	0.004 %
Income of unknown origin	-	24 021 742	64.16 %
Total reported income	-	37 438 622	100 %

While total income by source was underreported, a greater number from the sample were able to provide information on the origins of funds, as follows.

- Three of the four endowed organisations were willing to report on the source of their endowment, indicating both money and shareholdings from the original founder (N=2 respectively) and legacies and property from the financial founder (N=1 respectively) contributed to the endowment. Of the three, one is a spend-down foundation and two have expandable endowments, though one of these indicated that it is maintaining its endowment.

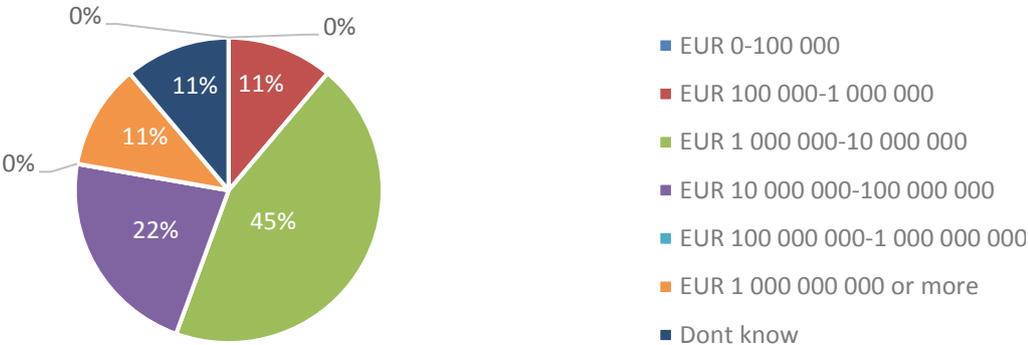
- Donations are an important source of income for foundations reporting on the source of their income. However, gifts from individuals or corporate donations add up to less than 3 % of the reported income breakdown, whereas nonprofit donations comprise 40 %. We believe that the questionnaire respondents interpreted ‘nonprofit donations’ to mean charitable (‘one-off’) donations as well as gifts from other nonprofit organisations, as the reported amounts are consistent with the spread of the fundraising foundations in the sample.
- Of the 3 non-public foundations reporting income from the government, all distribute government funds, two have government representatives on their boards and two report significant government influence on decisions about allocation of R&I funds.
- Service fees/other sources totaled less than 1 % of reported income sources.

In summary, the income picture that we have of Irish foundations is of income derived from donations (fundraising) and other nonprofit organisations, transfers from the State and, to a much lesser extent, endowment. This picture was confirmed in interviews with an endowed foundation, which distinguished itself from the ‘typical’ Irish foundation and from a fundraising foundation.

### 3.2.3

The total asset figures are of particular interest as they indicate that the bulk of the resources in Ireland’s foundation sector originate from a single foundation that is also a spend-down foundation.

**Figure 2: Total assets**  
As a percentage of the total number of foundations (N=8)



**Table 3: Statistic on assets**

Number of foundations	8
Mean in Euros	193 834 060
Median in Euros	4 362 500
<b>Total assets</b>	<b>1 550 672 480</b>

When we tried to break down assets into asset categories, we ended up with an ‘unknown’ figure representing 98.5 % of the total reported assets due to the non-reporting of assets breakdown by a single, endowed, spend-down foundation. This illustrates the gap in size between this one foundation in the sample and the remaining responding foundations. While this foundation is not principally an R&I foundation, it is the foundation with the greatest capacity for impact within the R&I domain.

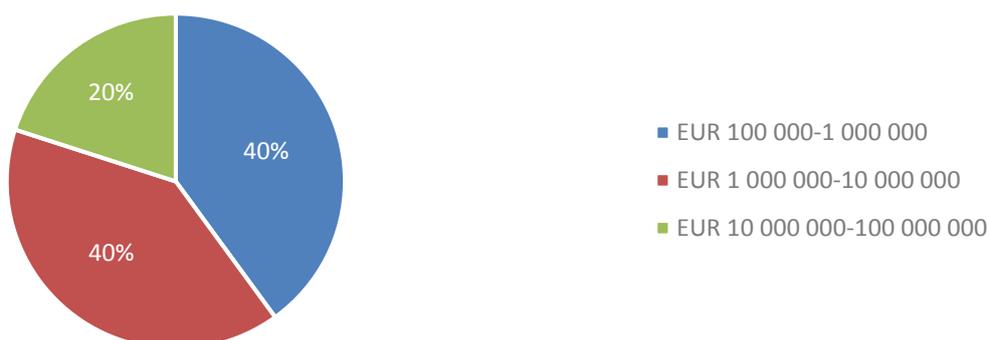
Further, we know from interviews and from a published report (Philanthropy Ireland, 2010) that this foundation, the only spend-down foundation in the sample, will have ceased operations in Ireland entirely by 2016. Moreover, it is a funder of several of the other foundations in the sample. Its funding is usually delivered as matched funding, where it will only grant support an organisation (foundation) if a co-funder is identified. The co-funder is often the State. Thus, the one foundation which will cease to operate by 2016 contributes to the ‘nonprofit donation’ portion of other foundations’ funding and has bearing on the levels of government funding. Drawing on earlier research (Philanthropy Ireland, 2010), we know that in 2006-7, this one spend-down foundation accounted for three quarters of all giving to causes in Ireland, and that in 2006 it accounted for 86 % of the value of foundation grantgiving to causes in Ireland. In 2007, the figure was 71 %. We will return to this subject in the discussion of innovative examples and also in the concluding chapter.

### 3.3 Expenditure

In Figure 3 and Table 4 below, total expenditure for 10 responding foundations is reported. In Figure 4 and Table 5, it is clearly illustrated that while the foundations in the sample fund research and innovation, the majority are not R&I foundations. Expenditure on other purposes account for two thirds of the allocated expenditure.

**Figure 3: Total expenditure in 2012**

As a percentage of the total number of foundations (N=12)

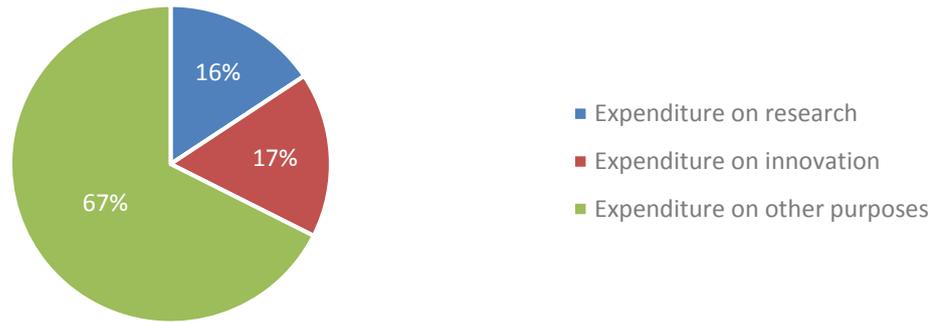


**Table 4: Statistics on total expenditure**

Number of foundations	10
Mean expenditure in Euros	6 830 026
Median expenditure in Euros	2 377 961
Total expenditure	68 300 261

**Figure 4: Distribution of total expenditure; research, innovation and other purposes**

As a percentage of total expenditures (N=9)



**Table 5: Expenditure**

Total/R+I in Euros	Total in Euros (N=9)
Research	9 289 877
Innovation	9 952 450
Other	40 057 934
Not Allocated	9 000 000
<b>Total</b>	<b>68 300 261</b>

**3.3.2**

Five foundations provided a breakdown of their research expenditure, indicating more than 92 % of EUR 9.2 million was allocated to applied research and 89 % this was recorded as direct research expenditure. Looking at forms of expenditure on research, 84 % (approx. EUR 7.7 million) is spent on grants, more than 12 % on operations and 2.66 % on other expenses such as overhead costs.

**3.3.3**

Turning to innovation expenditure, five foundations reported a total innovation spend of over EUR 9.7 million in 2012 with some EUR 8.7 million allocated to grants and less than half a million Euros allocated to their own operating costs. When asked to provide examples of innovative projects that they fund three foundations provided nine examples. These are listed below and are returned to in the next chapter.

**Table 6: Examples of innovation projects funded by foundations (N=3)**

Projects supporting individualised and integrated living within the community for disabled people.
Providing early years education to disadvantaged communities
Longitudinal study on ageing
Building confidence in creative writing and self-expression
Adaptive technologies for older people to live independently
Increasing the participation of women at all levels of Irish politics
Projects developing and testing community-based dementia supports/service models
Projects developing a range of non-institutional respite options .
Social research into ageing

### 3.3.4

Of the nine foundations reporting on their change in expenditure between 2011 and 2012, nine reported their expenditures remained the same, two reported an increase and two reported a decrease. Projecting for the fiscal accounting year ahead, five again expected their expenditure to remain the same while three expected their expenditure to drop. When asked in interviews about a projected decline in expenditure, government funding was the factor most consistently indicated as likely to decline.

## 3.4 Focus of support

### 3.4.1

Eight responding foundations indicated the categories to which their beneficiaries belong and the approximate percentage breakdown. Public higher education was the most widely supported, followed by the nonprofit sector. While the first place position of public higher education is not surprising in its own right, it also mirrors the picture of philanthropic foundation giving in general reported by Philanthropy Ireland (2010) in their survey of 15 grantmaking foundations in Ireland. In that study, nine of the responding foundations supported education and research and more than eight supported health.

### 3.4.2

The allocation of funds to research fields is recorded in Table 7 below. It would appear to indicate that the best supported research field is that of social and behavioural sciences, followed by medicine. The total sums reported are puzzling for two reasons. Not all foundations that indicated that they support a field also indicated the amount of support they allocate to that field, which may have resulted in under-reporting of sums for some of the other fields. The total sum recorded is EUR 13.5 million, which exceeds the total spending on research expenses recorded in Table 7 by EUR 4 million. However, this helps to explain where some of the excess EUR 9 million ‘not allocated’ in that table should be allocated.

**Table7: Research areas**

Research areas	Foundations (N=11)	Total in Euros (N=8).
Natural sciences	1	68 798
Engineering and technology	1	88 129
Medical sciences	7	5 060 000
Agricultural sciences (no data)	1	0
Social and behavioural sciences	6	6 885 000
The humanities	2	40 000
Other, (HRDs, microfinance)	2	1 327 667
<b>Total</b>	-	<b>13 469 594</b>

### 3.4.3

While six foundations reported on their current provision of support for research-related activities and seven reported on their support in the previous five years, only one attempted to allocate actual expenditure across the categories. Over the previous five years, the most widely supported activities were research dissemination and advocacy/citizen engagement.

### 3.4.4

When asked to indicate changes in their level of support for various research fields compared with five years ago, there was less change overall than was observed for research-related expenses. More foundations are now providing support in the fields of the humanities, social and behavioural science and medical science than they did in the previous five years.

## 3.5 Geographical dimensions of activities

### 3.5.1

Of the nine foundations providing information on the geographical dimensions of their activities, their funding is almost exclusively directed to local and national concerns. This is similar to the results of Philanthropy Ireland's survey of philanthropic foundations in Ireland (2010), where they found that between 2005 and 2007, 98 % of the value of the grants given by foundations in Ireland went to causes based in Ireland. The breakdown of funds is illustrated in Table 8 below. None of the responding foundations operate in other EU countries.

**Table 8: Geographical distribution of foundations**

	Expenditure in Euros	Percentage
Local/regional	5 673 200	29.89 %
National level	12 756 830	67.20 %
EU level	0	0 %
International level	552 227	2.91 %
<b>Total</b>	<b>18 982 257</b>	<b>100 %</b>

### 3.5.2

While nine foundations nominated roles for the EU vis a vis R&I foundations, we were unable in interviews to identify concrete examples with which to elaborate on the information provided in the answers to this question. The majority of the questionnaire respondents (N=8) identified awareness raising and structure for collaboration as important roles of the EU. Concerning contribution to European integration, seven of the nine responding foundations identified ways in which foundation activities contribute to integration. Integration on social and research issues was ranked higher than integration on educational or cultural issues. Firm examples were not forthcoming at interview.

## 3.6 Foundations' operations and practices

### 3.6.1

A staffing and governance profile was provided by nine of the foundations offering a clear illustration of the range of foundations in the small population. While the largest foundation has 148 staff, the next largest has 41, followed by 24, 23, ten, eight and three. The remaining two are unstaffed. The governing board size ranged from three and four in the unstaffed foundations to 12 and 13 in the two largest entities, with an average of nine. As the majority of the foundations are fundraising foundations that are operating as well as grantmaking, with less than 28 % of their total budget directed to funding research and innovation, staff numbers also reflect their operating activities and activities outside of the R&I funding arena. The foundation with the largest number of staff is the one spend-down foundation in the sample, and the majority of the staff is located in offices outside Ireland. It is the only foundation which has a supervisory board. The absence of supervisory boards in the remainder of the sample is not unusual as these boards are not common features of the Irish third sector landscape.

### 3.6.2

The snapshot of 'daily practices' provided by the questionnaire offers some interesting insight into how grantmaking foundations support research. Ten of the foundations responded. Eight of them proactively search for projects and only one typically waits for applications. At interview, the foundations indicated that they rarely welcome unsolicited applications and that they determine the nature of the projects for which they will provide support. The largest provider of grants approaches individual organisations and invites them to apply for funding. Only two of the responding foundations provide long-term support, although one-off support is similarly rare. While few (N=2) of the foundations are regularly involved in

the implementation of funded projects, the majority (N=6) conduct formal evaluations and eight demand evidence of how the grants have been used. It is interesting that only two foundations characterise themselves as typically giving small grants to many fundees rather than larger grants to a few, as the majority of the foundations can be classified as small grant givers.

### 3.6.3

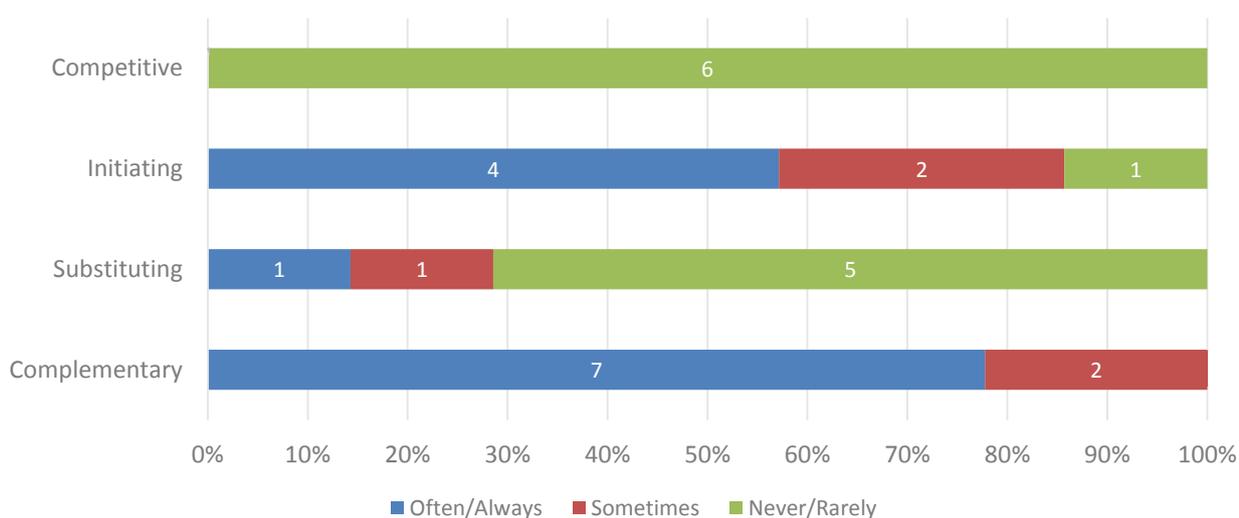
Of the respondents who conduct joint research activities with other funders in the field of R&I (N=9), two thirds (N=6) engage in a range of partnerships. While a footnote on the questionnaire clarified that the question referred to relationships between funding partners rather than relationships with grantees, during the interviews we were not able to collect examples of funding partnerships with hospitals, research institutes or universities. Rather, the foundations provided us with examples of how, through funding partnerships with the State or with another foundation, they established a project or programme within a hospital, university or research institute.

## 3.7 Roles and motivations

### 3.7.1

Nine foundations identified their roles in their answers to the questionnaire. Seven described their role as often or always complementary to public or other support and a further two as sometimes complementary. The emphasis on the complementarity of role was reinforced in the interviews, where the interviewees provided concrete examples of partnership arrangements made for funding, and also queried the value of a competitive role, in particular when referencing their relationship with the State. Four saw themselves as often or always, and two as sometimes initiating projects with the expectation that others would take over. It may be speculated that prior to 2008, when there was more secure State funding and a more buoyant economy, the pattern of answers to the 'initiating' role would have been different. The low number of often/always or sometimes (N=1 respectively) to the substituting role is interesting, as it is reasonable to expect that foundations may take on the role of substitutes for other sources of provision in difficult times. However, at interview the foundation interviewees emphasised the mission-driven basis of their R&I activities and their commitment to remaining true to their mission in a changing context and in difficult operating conditions. This could be seen as militating against an orientation to substituting for other providers of support. The patterns of roles are illustrated in the following table.

**Figure 5: The roles of foundations (N=9)**



### 3.7.2

Motivations were explored in the interviews with individual foundations and other players in the foundation field. As noted when discussing foundation roles, the orientation to serving a foundation's mission and to remaining mission focused in difficult operating environments provides an important context for understanding and interpreting the motivations of foundations supporting R&I. Perhaps it is particularly relevant in the context of a foundation field like Ireland's where the majority of the foundations rely largely or exclusively on fundraising, and in which support for R&I accounts for less than one third of total foundation spending, but it is proposed that in this context, the motivation to support R&I is a means to an end rather than an end in itself. Foundations support R&I in order to advance the eradication of cancer, or to improve the services available to people with mental health difficulties or intellectual disability, or to increase the safety of human rights defenders. It is less often the case that the production of PhD graduates, the provision of innovation funding, or even the enhancement of the research and innovation infrastructure is the end in and of itself. This is a critically important observation for national governments and the EU when viewing the role of the foundation sector in funding R&I. Public policy expectations of philanthropy do not necessarily concur with philanthropy's expectations of itself (Donnelly-Cox and Healy, 2014 forthcoming). While the foundations in this study would regard themselves as working in ways that are complementary to the State, ultimately it is to advance their own objectives.

# 4 Innovative Examples

Our innovative examples have been gathered from interviews and meetings, from the quantitative data, from a review of foundation websites and activity reports, from a review of evaluations of Ireland's R&I performance and from web searches. The quantitative data and the interviews provided insights into foundation support for a range of innovative social research initiatives in the fields of human rights, developmental disability, ageing and women's participation in political life. Systematic pilot projects and later the roll-out of new programmes were most widely referenced in the fields of ageing and developmental disability and are best classified as social innovations. Whilst none of the responding foundations cited innovative R&I examples in their questionnaire responses, we gathered some examples from interviews and the other sources noted above.

## 4.1 Successful partnerships

Two foundations provided examples of successful partnerships. The Atlantic Philanthropies has partnered with the Irish Government and with other foundations in co-funding major research infrastructure, social innovation and social change programmes. Science Foundation Ireland has partnered with a variety of public, voluntary, foundation and corporate bodies to fund research and innovation.

The Atlantic Philanthropies embarked on one of its most ambitious funding programmes in Ireland in 1998 (Atlantic Philanthropies, 2011, 2013). It provided the initial funding for the Programme for Research in Third Level Institutions (PRTLTI). It partnered with the Irish Government to co-fund PRTLTI. In later rounds of PRTLTI, the Irish Government co-funded under the European Regional Development Fund (ERDF). Between 1998 and 2010, Atlantic provided 16 % (EUR 178 million) of the total of EUR 1.1 billion invested. The aim of the foundation in gifting the funding was to develop the research infrastructure to underpin university-based R&I, to provide a foundation for a knowledge economy and to boost job creation (Atlantic Philanthropies, 2011). Atlantic's founder, Chuck Feeney, approached the Taoiseach (the Irish Prime Minister) in 2006, proposing a co-funding plan for the country's universities. Former Provost (President) of Trinity College Dublin, Professor Tom Mitchell, described PRTLTI as Feeney's 'biggest legacy. It is a model of how a foundation can combine with government and use its leverage to change policy' (Atlantic Philanthropies, 2013). Over the 17 years of funding, PRTLTI has and is continuing to provide for almost 100 000 square metres of new research facilities, 46 research institutes and research programmes, 1 000 research positions and 1 600 new postgraduate (mainly PhD) positions (ibid). Since 2004, PRTLTI has been evaluated several times in studies of international comparative research performance, research collaboration and impact (HEA, 2004; HEA and Forfás, 2007; Evidence, 2009 and 2009a; Government of Ireland, 2010; PA Consulting

2011). The final stages of the funding programme were threatened in 2009 when the McCarthy Report<sup>6</sup> recommended ending the funding of PRTLTI prematurely, on the grounds that:

*Substantial reductions in funding are warranted given the significant amounts invested to date, the lack of verifiable economic benefits resulting from these investments and the inflationary impact of funding on research and administration salaries... The fifth cycle of the PRTLTI scheme is due to run over the period 2010 to 2014. This scheme has been in operation since 1998 and there is insufficient evidence of the positive economic impact of the programme to date. Subject to any contractual commitments, this cycle should be cancelled. This will lead to savings in future years as spending on earlier cycles of PRTLTI winds down without any new funding requirements arising in their place. The cancellation should also have implications for SFI funding given that SFI researchers are housed in PRTLTI funded infrastructure (Government of Ireland, 2009).*

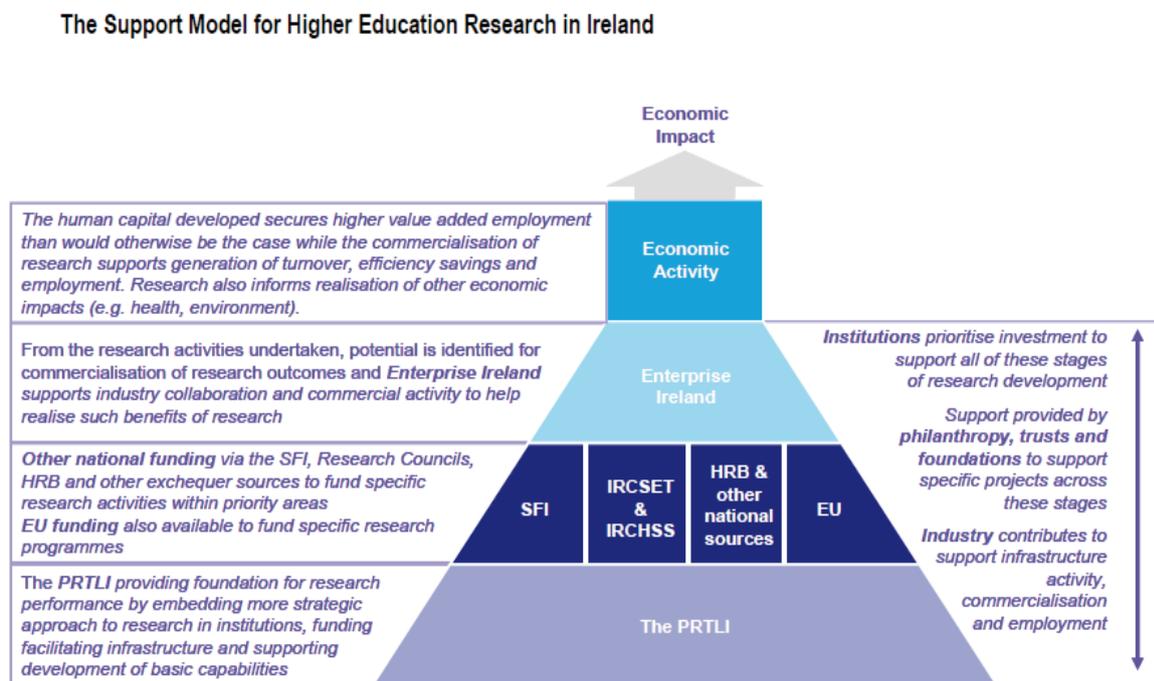
In late 2009, the Higher Education Authority commissioned a comprehensive review of PRTLTI from PA Consulting. The Review, which reported to the HEA in 2010 and was made public in 2011, provided a positive assessment of the contribution of PRTLTI to Ireland's R&I performance. State funding for the fifth round of PRTLTI was announced in 2010. In their report, PA noted that investment from PRTLTI and subsequently from a range of public funding agencies and the publically-funded research foundation, SFI 'have resulted in the rapid growth, expansion and improvement of research in Ireland' (PA Consulting, 2011). The report also noted that there were mixed results from the investment, with some spikes of measurable impact, and other areas where impact was difficult to illustrate. The consultants concluded that future funding

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6 Chaired by economist Professor Colm McCarthy, the Special Group on Public Service Numbers and Expenditure Programmes was known in a colloquial mix of Irish and English as *An Bord Snip Nua* – literally, the new board charged with recommending how to 'snip' more than EUR 5 billion from State spending. The name refers back to a report in 1987 on cutting state spending, produced by *An Bord Snip*.

should ‘be carefully planned and targeted on areas with greatest potential for success’ (ibid, 53). In Figure 6 below, PA Consulting’s model of how PRTL I underpins R&I research investment in Ireland is reproduced. The role of foundation funding is illustrated in the right-hand column. The State’s own foundation, SFI, is included in the mid-line of the model, just above the PRTL I and adjacent to the public sector research funding streams. Shortly after the review was completed, the State decided to fully fund the final round of PRTL I investment.

**Figure 6: The support model for higher education research in Ireland**



(PA Consulting, 2011: 6).

Our second example of successful partnerships profiles is SFI. It is the largest research and innovation foundation in the country and it is widely perceived as a State body. However, its governance and operating procedures clearly delineate it as a State foundation that meets the definitional requirements of the EUFORI study. Since the release of PA Consulting’s report ‘Confirming Impacts from Research Investment’ in 2010, SFI has shifted its funding focus from ‘blue sky’ to applied research. This decision has been broadly welcomed as a step that will assist Ireland in performing in innovation as well as in research (interviews). However, SFI’s most recent partnership, announced 4 July 2014, re-emphasises basic research. SFI has partnered with the highly prestigious Royal Society in the United Kingdom to enable young Irish researchers to apply to the Royal Society’s University Research Fellowship Scheme. The Irish researchers go into open competition with their UK and Commonwealth counterparts, and if they are successful, the SFI will fully fund, for up to five years in the first instance, their salary and research expenses in either an Irish or a UK institution (McCall, 2014). Fellowship holders can go on to apply in open competition for up to an additional three years of funding. The partnership is regarded as very significant for the development of excellence amongst young Irish researchers in that success in this scheme means they have satisfied the criteria of the Royal Institution, and that they have secured their award in open competition with peers from the UK and Commonwealth. The partnership will also facilitate Irish researchers to work in the UK and UK/Commonwealth awardees to work in Ireland. Thus, the partnership brings benefits both to Irish awardees and to Irish institutions – and, it is hoped, to Irish R&I performance.

## 4.2 Innovative projects

In this section, we profile the Genio Foundation as an innovative project in its own right. Genio was established as an operating foundation that also grants aid, research and social innovation, but its core mission is to act as a connector between philanthropy and government so that they are more effective in serving disadvantaged people trying to live a full life in their own communities (interview). Genio works to demonstrate:

*How real change can be achieved through the strategic investment of funds in an effective, accountable and transparent way. We recognise that private donors have a vital role to play in supporting the demonstration of good quality, cost-effective services to those in need. Government is best placed to sustain and scale services in the context of implementing national policy (Genio, 2014).*

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Genio sees itself as being genuinely different from other Irish organisations seeking to address need due to its emphasis on ‘smart social investment’. It sees its ‘interface’ role as unique – it ‘brings public and private donor interests together to achieve change and lasting impact that can be difficult, if not impossible, for either to achieve alone’ (ibid). In an effort to document and develop its capacity in this area, Genio applies its emphasis on the analysis of social impact as much to itself as to the projects it supports. Further, it has commissioned a series of reviews and evaluation and case profiles of its work to provide the information that will allow it to assess, focus and improve its processes.

Genio works in three domains. First, it runs an annual grant round inviting proposals for innovative work in the areas of mental illness and disability. It seeks proposals that are both innovative in their design and cost effective in their delivery. Second, it provides training and development to bring about the broader system changes necessary to support the implementation of the innovative projects. With an emphasis on embedding and scaling new modes of delivery of support for vulnerable people, Genio takes the view that unless the system is reshaped, its innovative projects will remain one-offs. Third, it is heavily engaged in measuring social impact in general, and of its investments in particular (Genio, 2014). In this last area, Genio is one of a small number of foundations in Ireland that are intensely interested in impact assessment. We will see how this interest impacts on its pilots and demonstration projects in section 4.4.

### **4.3 Projects engaging the public's interest in research**

Foundation support underpins several recent initiatives to raise public interest in and engagement with research. The most institutionalised of these is the Science Gallery, a public interface project established at Trinity College Dublin. Opened with an establishment grant given by the Wellcome Trust, and further support from Google, Deloitte and the Irish Electricity Supply Board, its primary purpose is to engage 15-25 years old with science. This is achieved through a programme of exhibitions, each lasting approximately one month to six weeks. Established less than one decade ago, it has become the leading engagement vehicle for research in the country. In a further contribution to innovation, in 2012 the Science Gallery launched The Global Science Gallery Network with a gift from Google.org. The aim of the Network is to set up Science Galleries in eight international locations by 2020.

SFI has played a lead funding role in developing Science Week, which is currently in its eighteenth year and is Ireland's biggest annual promotion of science to the general public. It is held each November, with over 800 events hosted in schools, universities, libraries and companies across the country with a focus on making science interesting and accessible to adults and children.

SFI is also a founding partner of The Festival of Curiosity, a Dublin-based event to raise public interest in and curiosity about science and innovation, which ran for the second time in July 2014. SFI co-funds the three-day festival in partnership with Dublin City Council, the Royal Dublin Society and Matheson (a law firm). The decision to develop a festival followed from the success of Dublin City of Science 2012. The Festival facilitates collaboration between science teachers, scientists and members of the public to develop new ways of engaging people with science.

### **4.4 Pilot and demonstration projects**

For examples of pilot and demonstration projects, we return to Atlantic Philanthropies and Genio. Genio has been funded by Atlantic Philanthropies and the State for its own operations and its distribution of grants to other agencies, has piloted and then rolled out projects supporting individualised and integrated living within the community for disabled people, adaptive technologies for older people to live independently, and the development and testing of community-based dementia support and service models. Between 2010 and 2014, it has awarded almost EUR 24 million in innovation funding and has documented how the funds have contributed to service improvements and also reduced service costs (Genio, 2014).

### **4.5 Introduction to the market of new products, methodologies, services and/or technologies**

We were unsuccessful in identifying an economic domain in which foundations have had a major impact in bringing the sector further. We referenced earlier the debate on the direction of public R&I funding in Ireland and the gap between research and successful innovation. When we focus in on the relatively small area of foundation-funded R&I, there are few examples to consider. However, the re-orientation of SFI to supporting applied research may result in a closer relationship between foundation funding and the market introduction of new products. When examining fields in which such projects might be found, such as renewable energy, new applications in healthcare treatment/diagnostics, agriculture and social sciences,

we could not identify a single example of direct foundation impact on economic activity in these fields. Amongst the examples discussed earlier in this chapter, the foundation that is closest to introducing new products, methodologies and services is Genio. However, its work is in the main conducted in a social welfare environment rather than an economic domain, such that its innovations in service provision are absorbed into State provision for people with disabilities and not into the market.

One area of foundation funding that may result in the market introduction of new products is the Atlantic Philanthropies' and other foundations' support for ageing research. Atlantic's support for TILDA, the longitudinal study on ageing in Ireland, has contributed to several reports on the health and welfare of the ageing population. Currently, Ireland's over-65s comprise 11 % of the population, but this is projected to rise to more than 20 % by 2036 (CSO, 2007). TILDA's research has contributed to the development of a multidisciplinary research focus within Trinity College on active ageing. The consortium is research and innovation focused, with plans for market-oriented developments in healthcare, including digital health, the activities of daily living products and housing (Atlantic Philanthropies 2013 and interviews).

# 5 Conclusions

## 5.1 Main conclusions

At the start of this report, our context chapter presented Ireland as a country characterised as peripheral statist. The main results from Chapter Three confirm this picture of Ireland as a country with a small foundation sector of which R&I foundations are a very small part, although the role of the State is more complex than Anheier and Daly's (2007) category would indicate. The quantitative data presented in Chapter Three illustrated very clearly that the largest foundation contributor to R&I funding is not an R&I foundation and will have exited within two years. The one R&I foundation of any size is a public foundation. As the INKEx data indicated, there is a multiplicity of small foundations, trusts and funds that support specific causes and which apparently raise and/or allocate funds to these causes. Some of these are captured in the quantitative data and overall the picture confirms the INKEx analysis. On the other hand, Donoghue's conclusion (2004) that overall the 'core' foundation sector is very small is reflected in our database of R&I foundations.

While the foundation sector is small, the funding it has provided has played an important part in jump-starting PRTL and social innovation. We know that R&I performance has grown significantly in Ireland since the late 1980s, albeit from a very low base and that this has been assisted by foundation funding, in particular the roll-out of the PRTL programme that was seeded with substantial foundation grants. One way of interpreting this picture is that both the field of R&I activity and the field of R&I foundation funding are at early stages of development. For example, if PRTL is as successful as argued by PA consulting, and if Philanthropy Ireland and the Forum on Philanthropy and Fundraising are successful in further developing organised private giving, then a survey conducted ten years from now should see substantial growth in both R&I activity and in organised philanthropy. It would be hard to overemphasise, however, that such growth would be coming from a very modest point of departure and that the exit of one spend-down foundation will leave a gap for which there is no obvious replacement.

We noted earlier that there is no good time to fall into a financial crisis, and we have been able to document the challenges that conditions of austerity have created for the field of R&I, in particular for continuing to develop the research infrastructure necessary for increased levels of innovation. Interestingly, however, in the questionnaire responses we saw confidence within the foundation sector, as reflected in their answers to the questionnaire questions, but we also see so many limits in the field due to funding cuts.

Chapter Four provided some concrete examples that largely reflect the impressions gained in Chapters One and Three. When seeking tangible examples of activity, we were struck by the degree to which partnership with the State has and continues to be an important theme in successful ventures. While this is largely due to the exiting spend-down foundation's policy of co-funding, it does provide an illustrative

evidence of how foundations can make a difference beyond their own capacity through co-funding, influencing State policy and working with the State to secure the desired outcomes.

Chapter One provided much insight into what the State and the EU desire from Irish research and innovation policy. One of the things that makes Ireland interesting in the overall context of the EUFORI study is the paradox that Ireland is performing reasonably well in the field of R&I, despite the resource problems that do exist. We conclude that growth in the Irish R&I foundation sector would be of great assistance to meeting the targets for Irish R&I performance – and that the current underdevelopment of the sector is an impediment to its achievement.

## 5.2 Strengths and weakness of the R&I foundation sector in Ireland

At the current time, the strengths of the Irish R&I foundation sector are extremely limited. The greatest strength of this sector is a foundation that is not an R&I foundation and which will exit within two years. Its next greatest strength is a State foundation which, until recently, has focused on the ‘blue sky’ research that can underpin more applied work. It will be interesting to see whether this foundation’s shift to supporting more applied research will reap measureable outcomes from this sector. There are opportunities for R&I foundations to develop further, for the foundation field infrastructure to support new entrants to the field, but these statements are tentative and hopeful in the face of limited evidence of a resource pool to achieve these aspirations.

Objectively, the Irish R&I foundation sector is weak on every measure. There are few foundations of any size or scope of R&I activity. There is very limited private funding that is directed to R&I via the foundation sector. The threats to further development of the foundation sector are much clearer than the opportunities. The withdrawal of the most capable and best funded foundation from the field, the end of that foundation’s funding streams and support for R&I infrastructure, the loss of matching funders, and the weak institutional framework all combine to present a real threat to supporting the modest infrastructure that has been built up by foundation funding.

## 5.3 Recommendations

Given the very obvious gaps indicated in the previous sections, it would seem to be prudent for recommendations to be both modest and targeted. Our first is that the apparent shift in funding policy for R&I towards applied, rather than blue sky research should be supported, at least in the short term, by Ireland’s existing R&I foundation resource. One contribution of the foundation sector in the past decade has been the seeding of research infrastructure. By focusing its limited resources on application, the foundation sector could play a role in addressing the R&I sector’s limited success to date in supporting economic performance. The measures of R&I performance reviewed in Chapter One indicated Ireland was much stronger on the production of PhD students and research papers than it is on the production of patents. The obvious caveat, however, is that without blue sky research, the broader benefits will not be forthcoming. There are many more questions to be asked and answered to help us explain and redress the weakness

of the Irish foundation field. We still cannot explain what makes Ireland unattractive for foundation formation beyond the observations we made in Chapter One. Growing the foundation field is necessary to develop an R&I foundation focus.

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Italy Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Giuliana Gemelli  
Maria Alice Brusa

Research and  
innovation



# **Italy Country Report**

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# 1 Contextual Background

## 1.1 Historical background

The philanthropic tradition in Italy is strong, and it dates back to medieval times, when the Church started to support, coordinate and control the problems of the poor. Driven by the need to manage a huge heritage, the Church began to consider the concept of a legal person, regardless of whether there was or not a *universitas personarum* or a *universitas rerum* (for example, a foundation!). Many pious institutions, on the initiative of Church institutions, as well as of private citizens, aimed at charities whose main goals consisted in the donation of food and clothes for poor people, as well as in collecting dowries for girls in need. All these institutions enjoyed tax exemptions.

In the last few centuries, due to the transformations that have occurred in most European countries and mainly in the United States, foundations have assumed a more structured configuration and have become progressively independent from religious institutions.

In the second half of the 19th century while Germany and France initiated legislation which aimed at a wider *liberalisation* for associations to be gained through administrative local process (registration by judicial powers), in Italian 'anomaly', which characterised associations' legislation, became increasingly in evidence. The starting point was in 1848 with the *Statuto Albertino*, in which the authorisation procedure was aborted. The peculiarity of the *Statuto Albertino* was overwhelmed by the orientation of the Italian government to close down associations if they were suspected of being a threat to public order. It was a very ambiguous set of rules that represented in themselves an authoritarian interpretation of the balance between State power and individual freedom of association. The final decision about the existence of associations was ultimately in the hands of judicial power (the *magistratura*).<sup>[1]</sup>

The reason for such an ambiguous statement in the *Albertinian* Code was to inhibit by law what the law itself was unable to produce at the level of civil society. Intermediate entities between the State and the limited organisational powers granted to the private sector, were classified in a juridical no man's land, as 'amphibious' entities, the *enti morali*, deprived of any juridical status, except for the fact of being administered by the State through its *magistratura*. The introduction of the legal form of foundations as institutions of public utility in the Civil Code of 1942 did not change de facto their juridical nature. Foundations can come into existence only through an act of concession, through which the public authority bestows a legal personality (White Paper on Foundations in Italy, 2003: 25): This legislation is still waiting for an in-depth structural reform .

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1 Gemelli, G. (2006) 'Historical Changes in Foundation Functions and Legitimacy in Europe' in Kenneth Prewitt (ed) Mattei Dogan (ed), Steven Heydemann (ed), Stefan Toepler (ed) *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, New York:, Russell Sage.

This orientation was overwhelmed by the attitude of the Italian State towards the Church. Despite legislation that was meant to contain the expansion of Church institutions (*enti canonici*) and to attract, within the framework of public law, institutional bodies situated at the border between non-confessional and confessional aims, the growth of a new social set of practices and institutions, called '*beneficienza*', generated and consolidated an ambivalent institutional framework. Those bodies, *the opere pie*, belonged to the same juridical framework as the *enti morali* and were placed under the control of the public administration. In most cases, the *opere pie* and the *enti morali* acted as bureaucratic entities. In the worst cases, private or strictly political interests dominated them. They existed in Italy until the last decades of the 20th century, when the *opere pie* were suppressed and the IPAB *Istituzioni pubbliche di assistenza e beneficenza* were privatised and rapidly transformed into Foundations – by maintaining, however, their original culture and political aims, which was the result of special decrees, not of any general, revised legislation. In the last twenty years 'the real effect of laws in transforming public bodies into foundations is that of creating new form of public-private partnership', by developing legislation designed to reduce the role of the public sector as well as the financial burden of the State in dealing with the social problems and concerns of civil society. In Italy, philanthropy is still a synonymous with the old '*beneficienza*'. Outstanding Italian scholars and personalities in the world of foundations gave credit to this conceptual assimilation. <sup>[2]</sup>

In Italy, scientific academic entrepreneurship is not very well developed for several reasons, including the role of the control of political parties over scientific policies and the lack of legitimacy of science policy as a constitutional factor. Actually, even at the present time, the interaction between research and innovation within the framework of foundations' activities, despite recent initiatives, needs to be structured: it appears as a scattered or an uneven pattern. It is a matter of fact that a very recent report on the new orientation of foundations, above all bank origin foundations, in developing this framework, and particularly regarding technological transfer, states that: 'while the available knowledge is growing as well as the institutional actors who are ready to exploit it from the economic perspective, the number of actors who have to be coordinated in order to succeed is also growing. The focus is only on the technological aspects and this means that the interest is mainly and even exclusively on the applied dimension of this process, rather than in its complex implications on society as a whole'. From the point of view of institutional configurations of foundations in Italy, one should once again recall historical factors. After World War II, in Italy, despite the creation of few American-style foundations and their emerging role of attracting the leading personalities who represented the social faction of the changes in the Italian élite, there was not only a collapse of large-scale research programs, both in natural and social sciences, but also an ongoing crisis in the few private research institutions which, using the legal and institutional pattern of foundations, tried to facilitate dialogue between universities, private institutions and the government, and to enhance institutional competitiveness in the private and public sector as a pattern in policy-making strategies. Instead of producing a snowball effect, by using foundations as conveyors, catalysts and drivers, innovative experiments in institutional and scientific policies were isolated and oriented towards producing phenomena that one can define as recurrent enclosure effects in innovation strategies. <sup>[3]</sup>

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2 Gemelli, G. (2006) 'Historical changes in foundations' functions and legitimacy in Europe' in Kenneth Prewitt (ed), Matteo Dogan (ed), Steven Heydemann (ed), Stefan Toepler (ed) *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, New York:, Russell Sage.

3 Gemelli, G. op. cit.

## 1.2 The legal and fiscal framework

Concerning the foundations' fiscal laws, in Italy there exists as detailed, specific legislation that controls specific institutions, such as family foundations or bank origin foundations, but, since 1942, global legislation concerning the so-called third sector is still waiting for its own legislation and the relevant reform of the constitutional acts. In Italy, a foundation must be established through a public deed by a public notary or by testament. The deed must include the article of incorporation and the statutes of the institution specifying the name of the foundation, the registered office, its mission and the available assets. Only when the foundation is formally established can the process of becoming a legal entity be performed by the founder; this process makes the foundation completely independent from its founder and beyond their control. In general, foundations differ in several aspects, above all in their structural and organisational models. Differences emerge in their organisation in relation to the acquisition of a legal personality at a national or regional level, and in relation to the quantity and tasks of the statutory bodies. From the point of view of legal personality, there are two possible procedures: foundations with national recognition, which are set up at government regional offices such as prefectures, and foundations added to the register of legal entities, established by the Regions (or even by the Autonomous Provinces). With regard to their internal structure based on their statute, foundations generally operate with a limited number of organs: about 70% of them claim to have only four statutory bodies. With regard to the President and the Board of Directors, the organs most frequently at work are the College of the Auditors of Accounts, the Vice President and the Director.<sup>[4]</sup> In Italy, foundations, like the rest of the non-profit sector, are not subject to any preferential tax regime, because their nature is not, according to the Italian State, a valid reason to generate tax incentives. One could say that foundations in Italy, despite the absence of specific global legislation, have a specific legal status based on the role played by foundations as being 'socially meritorious'. In addition to the benefits provided to nonprofit organisations and specifically to foundations related to the payment of direct and indirect taxes, national tax law grants subsidies to foundations that make donations or grants to nonprofit organisations, which are active in particularly worthwhile areas from the point of view of social needs and/or economic development.<sup>[5]</sup>

Foundations should provide and meet the specific requirements in their deed according to the Legislative Decree 460/1997, which include:

- The exclusive pursuit of goals of social solidarity and the prohibition from carrying out activities other than those mentioned in the statute.
- The prohibition from distributing profits or surpluses and the obligation to use them for institutional activities.
- The obligation to donate the Foundation's assets to other nonprofit organisations in case of dissolution, and the obligation to write and publish an annual financial statement.

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4 Moreschi, B. op. cit., pp. 18-19

5 Barbeta, G.P. (2013) *Le fondazioni*, Bologna: Il Mulino, p. 44

The law provides significant tax benefits, including:

- Total exemption from tax and regional tax only in what concerns the institutional activities and related (non-business) activities.
- VAT exemption for hospital services, nursing, education and training, and social and health services in general.
- Exemption from stamp duty and the obligation to issue receipts (only for institutional activities).
- Simplification of accounting.
- Exemptions and concessions from various municipal taxes, and provincial, regional and capital income.

With regard to the most important legislative reforms, the decree of the President of the Italian Republic N° 132/03 is particularly significant for foundations because it recognises for those foundations which carry out 'scientific research activities of particular social interest' a role which is similar to NPOs. The President's amendment is a clear expression of an attempt to give greater unity to the complex world of the third sector in terms of taxation. At the same time, it also reveals the lack of any global, coherent legislation concerning the nonprofit sector. With specific regard to research goals and activities, Article 3, Decree No. 132/03 states that foundations, according to their statutory rules, operate directly or through universities, research organisations and other foundations that can also directly carry out those specific activities. In the first case the presence of appropriate operational structures such as professional resources, and appropriate forms of financing is required. In the second case, the relations with third parties should be governed by conventions, which should establish specific guidelines.<sup>[6]</sup>

### 1.3 The foundation landscape

How many foundations are there in Italy? How many of these are actually operating? None of these questions have a satisfactory answer due to the inadequacy and the fragmentary nature of the available sources. In addition, the numbers are uncertain and a simple declaration of the legal existence of a formal foundation does not automatically certify that it is operating. In order to have a general idea of the number of foundations in Italy we still refer to the survey carried out in this field of research by the Fondazione Giovanni Agnelli <sup>[7]</sup>. At the end of 2005, according to the ISTAT – Istituto Nazionale di statistica – database, the most recent statistical national survey on foundations, there were 4 720 foundations active in Italy, showing a significant increase in comparison with the late 1990s, when there were around 3 000. The most recent census survey on the entire third sector, again by ISTAT, and published in 2013, revealed that the number of foundations created in Italy in the last few years has experienced exponential growth.

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6 Giordano, M. (2004) 'Il lungo cammino delle Onlus di Ricerca Scientifica, in Studi Zancan'. Politiche e servizi alle persone 5(6)

7 Demarie, M. op. cit., p. 18

**Table1: Non-profit institutions for ICNP (International Classification of Nonprofit Organizations) – Census 2011 and 1999 – Absolute values and percentage changes 2011/2001**

Sector of main activities	2011	2001	Var % 2011-2001
Culture, sport and recreation	195 841	140 391	39.5
Education and research	15 519	11 652	33.3
Health	10 969	9 676	13.4
Social assistance and civil protection	25 044	19 344	29.5
Environment	6 293	3 277	92.0
Economic development and social cohesion	7 458	4 338	71.9
Protection of the rights and political activity	6 822	6 842	-0.3
Philanthropy and promotion of volunteering	4 847	1 246	289.0
International cooperation and solidarity	3 565	1 433	148.0
Religion	6 782	5 903	14.9
Labor relations and interest representation	16 414	15 651	4.9
Other activities	1 637	1 660	-1.4
<b>TOTAL</b>	<b>301 191</b>	<b>221 412</b>	<b>36 %</b>

If the transformation of a large number of public institutions into ‘foundations’ (frequently as a label rather than an institutional reality) certainly contributed to this significant increase, we cannot ignore the positive effects produced by the debate concerning their legal patterns and configurations. <sup>[8]</sup> The debate has certainly contributed to the emerging role of modern foundations more aligned with international models, such as corporate foundations as well as family foundations and private independent foundations.

## 1.4 Types of foundation

The traditional nineteenth-century distinction between associations and foundations in Italy does not explain the complexity of their institutional and political framework at present. Since the end of the last century it frequently occurs that institutional entities that are not foundations, have nevertheless indicated in their title the label of foundation. Ironically, foundations are not obliged to put this label in their title.

Two are the most common types of foundations in Italy: the first type are operating foundations, which are equipped with one or more operational structure, aimed at the achievement of their purpose, while the second type, grantmaking foundations, are institutional bodies which reach their mission and aims by providing grants.

Community foundations have been established more recently and are less developed and widespread compared to the types of foundation described above. They have also developed institutional patterns

8 Barbeta, G.P. op. cit., p. 24

and organisational models that are not according to international patterns, that is, the Anglo-Saxon type, which is horizontal rather than 'vertical' and quite bureaucratic, as in the Italian context <sup>[9]</sup>

Corporate foundations are increasingly active in Italy but less developed in comparison with the rest of Europe. With regard to their geographical distribution, the North West is certainly the area in which the largest number of foundations in Italy are to be found (44 % out of a total of 4 720). A growing trend, which is in contrast with the rest of Italy, where the number of foundations is decreasing, and especially in the South, where it has decreased from 19 % to 14.9 % (according to the ISTAT survey of 2005). These data were confirmed by a more recent study on the entire third sector by ISTAT, which we got from its main conclusion. The 9th General Census on Industry and Services in 2011 registered 301 191 nonprofit institutions representing 6.4 % of the legal-economic bodies active in Italy. This was the most dynamic sector in the 10-year period between the two censuses, with a growth registered in 2001 higher than that of the business sector. Comparing the number of institutions with a resident population, the North East is by far the geographical area where this sector is most widespread (64.9 institutions per 10 000 inhabitants). In addition, the Centre (55.8) and the North West (52.6) are well represented, while the islands and the southern part of the country show lower indicator values (44.4 % and 35.7 %, respectively). The sector of activity with the largest number of institutions is culture, sport and recreation, with over 195 000 institutions, equal to 65 % of the national total. Welfare and civil protection, with over 25 000 institutions (8.3 % of the total) represent the second largest sector of activity, followed by labour relations and interest representation (5.4 %), education and research (5.2 %) and Health (3.6 %). The remaining sectors account for 12.5 % of nonprofit institutions. In terms of average size, the health sector is the largest, with about 14.5 employees and 30.8 volunteers per institution. Economic development and social cohesion is the only sector where the number of employees is higher than that of volunteers.

**Table 2:**

Geographical area	Operating %	Granting %	Both %	Total 100 %
North West	55.5	16	28.5	2 087
North East	48.7	21.3	30	978
Centre	39.3	22.5	38.2	951
South	46.6	26.6	26.8	704
Italy	49.5	20	30.5	4 720

[10]

Foundations currently active in Italian territory are mostly newly established institutional entities. One should consider, however, as already emphasised, that the largest portion of foundations are the product of the process of the privatisation of public institutions. Thus, compared with the rest of Europe, founda-

9 Gemelli, G. (2006) *Vincoli e opportunità del cambiamento organizzativo: la governance delle Fondazioni tra strategia e struttura*, Università di Brescia Working Paper Dipartimento di Studi sociali Brescia. DSS Papers SOC 4-06

10 B. Moreschi (a cura di), *Le fondazioni in Italia*, anno 2005, collana Informazioni, Roma, Istat 2009, p. 15

tions in Italy are, from many perspectives, fairly anomalous. Despite the fact that there is a distinction between grantmaking foundations and operating foundations, not only are the former significantly reduced in number, but also most of the so-called grantmaking foundations are functioning as mixed foundations. According to the survey of the Fondazione Giovanni Agnelli, only the 5 % of foundations are truly grantmaking. This survey is not really recent and does not consider the increasing number of corporate foundations that act as grantmaking entities, but it is a matter of fact that the complex world of foundations in Italy is fundamentally organised on the model of operating foundations (including ‘think tank’ institutes), which can obtain different sources of funding, including public funding, and which can also work in cooperation with other public entities, not to speak of political organisations at a local and national level. One of the main problems encountered by the survey of the Giovanni Agnelli Foundation concerns the strengthening of the size of foundations’ assets in Italy. This aspect, which justifies the limited number of grantmaking foundations, is clearly shown by a statistical study: less than 3 % of Italian foundations have assets higher than EUR 25 million, while almost 60 % have below EUR 600 000, and 30 % have nearly EUR 100 000. From an organisational point of view, institutions engaged in R&D are grouped into four categories: government departments, universities, businesses and nonprofit institutions. In 2005 in Italy around a half of the spending on R&D was carried out by firms (50.4 %); the rest of the spending was done by public research institutions and universities (47.5 %, or EUR 7.413 billion) and only a small percentage by nonprofit institutions (2.1 %) <sup>[11]</sup>.

**Table 3: Expenditure on R&D in Italy according to institutional sector – 2005**

Institutional sectors	EUR millions	%
Public Institutions	2 722	17.8
Private Institutions (Non - profit)	233	1.5
Companies	7 293	47.8
University	5 005	32.8
<b>Total</b>	<b>15 252</b>	<b>100</b>

11 Sirilli, G. (2010) (edited by) La produzione e la diffusione della conoscenza. Ricerca, innovazione e risorse umane, Fondazione CRUI, p. 20

**Table 4:**

Area of activity	Number (%)
Culture and sport	17.6
Education and research	21.2
Health	2.8
Social services	17.4
Ambient	1.0
Economic development and social cohesion	4.2
Protection of rights	0.3
Philanthropy	25.5
Cooperation and international solidarity	1.1
Religion	8.5
Union relations and interest representation	0.5
<b>Total</b>	<b>4 720</b>

[12]

In general, the main research foundations in Italy seek to create partnerships and synergies with other agencies and organisations at a local, regional, national and international level, in order to carry out projects that are genuinely innovative and experimental in nature.

Italian R&I Foundations often operate by activating multi-annual programs, aimed at achieving specific goals which are cultural and scientific in nature, through a series of complex activities, which are primarily research and the communication/promotion of culture. The Ministry of Education is the public entity that, in Italy, plays the most important role in supervising and activating research institutions, including funding activities through national and international programs.

The largest umbrella organisation of Italian foundations is ACRI (Italian Association of Foundations and Savings Banks), but it represents only bank origin foundations. Established in 1912, ACRI represents the joint-stock savings banks and the foundations of banking origin that came into existence in the early 1990s as a result of the enactment of the so-called 'Amato' Law, no. 218/90.

The Italian bank origin foundations are classified as nonprofit, private and autonomous entities, which are involved and active in socially-oriented and economic development undertakings. There are 88, and they have substantial resources available to them, which are deployed in diverse, balanced and profitable investments. They use the income generated through the wise and balanced management of investments to accomplish their institutional purpose, which aims to provide support for various collective-interest sectors (art and culture, education, research, support for the underprivileged, local community develop-

12 Barbeta, G.P. op. cit., p. 25

ment etc.) through projects which are the expression of both private and public nonprofit entities. The 88 bank origin foundations are different in size as well as in their local, national and even international activities.<sup>1</sup> Their role is that of promoting development, not only within the territories where they are based and where they have deep roots, but also across the entire country. Their role is carried out in two ways – as institutions that provide philanthropic resources both to nonprofit entities and to local beneficiaries, and also as important institutional investors.

In addition, an umbrella association, the CNFU (National Coordination of Academic Foundations), supports university foundations. The CNFU was created to carry out the coordination of the System of Italian University Foundations, respecting the autonomy of individual university foundations. The CNFU promotes and strengthens the study of the specific problems of university foundations, their bodies of reference and the territory in which they operate. The CNFU represents their needs and their guidelines. The CNFU collects data, makes proposals concerning foundations' economic systems and public administration, encourages them to support the development of institutional activities, and, in particular, of the instrumental activities concerning the support of teaching strategies and research activities in science and technology, based on the university system.

## 1.5 Research and innovation funding in Italy

During the last decade, Italian R&D activities have increased moderately, reaching 1.25 % in 2011. Overall, the R&D outcomes both in the public and private sectors have increased over the last decade, but only to reach levels that remain very far from those of other European countries, particularly within the framework of the relations between research and technological innovation, by developing a trend towards specialisation in low-technology-intensive products.

Without any doubt, in Italy the main priority in the field of R&D is to generate momentum and stimulate commitment towards increasing R&D strategies based on improving and supporting the business framework as the main agent for innovation and economic structural change. <sup>[13]</sup>

The European Innovation Scoreboard is the main instrument of measurement used by the EU to generate a ranking of European countries with the largest and most promising capabilities in the field of innovation. The EIS is based on 26 statistical indicators and makes use of the RIS (Regional Information Survey), which quantifies regional innovation at a European level. Italy, compared to other European countries, has a very low ranking within the framework of European Innovation. The core board, and more generally the Italian ranking in research and innovation, is far from reaching the level of the other advanced economies. Nevertheless, Italy shows a good performance regarding human capital (high growth in the number of doctorates, despite the limited impact in terms of job opportunities), and demonstrates a good ability to exploit the results of research abroad (revenue from the sale of licenses and international patents), but, paradoxically, appears weak in the entrepreneurial system that enhances and exploits them. In particular, the country shows an increasing decline in expenditure on innovation, is poorly connected to research and development, as well as a decrease in cooperation between cross-border firms. We need to make a

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13 Research and Innovation performance in Italy, Country Profile, 2013, European Commission

systematic evaluation of the impact of the economic and financial crisis on this field compared to other historical periods, as well as to other countries on which the crisis had a similar impact to Italy.

After the Second World War, Italy was characterised by a process of reconstruction and economic and social development, along with accelerated industrialisation, the expansion of public research, particularly in the fields of physics, chemistry, nuclear physics and electronics, and, in terms of production, the emergence of high-tech industries in sectors such as chemicals, pharmaceuticals, electronics and aeronautics. The continuous development of the science and technology system was reflected in an increase in expenditure on R&D both in absolute terms and in relation to the GDP. The ratio of expenditure on R&D compared to the GDP increased progressively up to a 1.3 % share in 1990; but from the mid-1960s most of the large-scale industrial firms in the fields of electronics, telecommunications, energy, and medical and public health research entered a period of decline which reached a level of 1.1 % in 2005.

Expenditure on R&D by public bodies and businesses in Italy in 2006 amounted to EUR 15.599 billion, equal to the amount from the previous year when expressed in real terms. The data in Table 3 show that, during the period 2002-2005, expenditure expressed in real terms decreased by 1.5 %.

The relationship between R&D expenditure and GDP during the period 2002-2005 was maintained, despite some modest fluctuations, at around the 1.1 % level. <sup>[14]</sup>

**Table 5: Expenditure on R&D compared to the GDP in Italy**

Year	Current price values (EUR millions)	Values at constant prices 2000 (EUR millions)	% Change from previous year (constant 2000 prices)	Ratio R&D/GDP (%)
2002	14 600	13 714	4.1	1.13
2003	14 796	13 460	- 1.8	1.11
2004	15 252	13 510	0.4	1.10
2005	15 599	13 513	0.0	1.10

The institutional sectors that we have so far considered are: public institutions, universities, business and nonprofit institutions. The last one, according to the latest census by ISTAT, are generating a continuous wave of growth and economic impact, but we still need a comparative estimate with all the other sectors, as well as an in-depth analysis of the impact of this growth within the specific framework of research and innovation. While we are still waiting for this in-depth analysis, we can say that in 2006 the public sector still generally appeared as leading and represented 48.3 % of the national budget for R&D (EUR 8.133 billion) (see Table 6). <sup>[15]</sup>

14 Sirilli G. (2010) (edited by) *La produzione e la diffusione della conoscenza. Ricerca, innovazione e risorse umane*, Fondazione CRUI, p. 18

15 Ivi, p. 18

**Table 6: Expenditure on R&D in Italy according to funder sector and executor, 2006 (EUR millions)**

Sector of implementation	Sector of funding					Total
	Public administration	Companies	Subjects and private bodies	Foreign countries	Universities	
Public administration	2 513	118	57	206	4	2 897
Nonprofit organisations	172	39	382	34	2	630
Companies	664	6 584	5	954	3	8 210
Universities	4 784	63	52	195	-	5 094
<b>Total</b>	<b>8 133</b>	<b>6 804</b>	<b>496</b>	<b>1 389</b>	<b>9</b>	<b>16 831</b>

[16]

This amount was mostly intended for universities (58.8 %) and institutional bodies in public research (30.9 %), but a significant proportion was also devoted to firms, to which public support consisting of 8.2 % of the total expenditure was allocated (this figure should be integrated with 80.2 % self-financing), while the rest came from foreign sources, typically companies (11.6 %). The Italian business sector, in turn, supported only 40.4 % of Italian research expenditure.

The EIS – European Innovation Scoreboard 2013 survey over the last five years places Italy among ‘Moderate innovators’, with performances below the EU average and with three structural challenges to be addressed: financial innovation, talent mobility, and technology transfer from research to market.

What characterises this somewhat negative situation in Italy is, on the one hand, the still negligible role of risk capital among the sources of financing in R&I and, on the other hand, the inadequate experience in terms of relationships between companies and the research community, as well as the modest coordination concerning technology transfer. More specifically, regarding the interfaces (e.g. subjects or procedures) capable of interacting productively, companies are either missing or playing a limited role. The same limits appears when one analyses the performance of researchers and/or funders of research and innovation projects. The debate about the division of tasks in order to ensure the dialogue is still open represents a very critical question. What is clear is that, while on a global scale there are established practices and standardised contracts through which the process of promoting matches between scientists and innovators/firms and between them and lenders in other relevant sectors is already set up, in Italy, with a few exceptions, obsolete procedures <sup>[17]</sup> are still at work and de facto prevail.

16 Ivi, p. 20

17 Atzeni, G., Marselli, R. and Tannini, M. <http://www.mi.camcom.it/finanziamento-dell-innovazione-e-uso-della-conoscenza-scientifica-in-italia>

One of the elements that characterises this Italian structural weakness is the scarcity of industrial research. The strategy stated by *Europa 2020*, which indicates a target expenditure on R&D equivalent to 3 % of the GDP, is the strengthening of private funding in research in order to have at least two thirds of the total R&D expenditure coming from the private sector (business and private nonprofit). If this target has been achieved by most of EU countries, Italy is still characterised by the relatively strong role of the public sector in the field of research. In particular, in 2009 Italian companies carried out R&D with a total expenditure of EUR 10.2 billion (53.3 % of the national total), universities EUR 5.8 billion (30.3 %), the public sector EUR 2.5 billion (13.1 %), and finally the private nonprofit institution sector EUR 634 million (3.3 %). In terms of GDP, Italy's weakness in the private sector is confirmed, with a ratio of private companies' expenditure on R&D equal to 0.7 % of the GDP, almost half of the European average (1.2 %). <sup>[18]</sup>

In the case of Italy (which ranks 1.1 %), the percentage of 3 % is below the target to be reached for various reasons: the reduced size of the scientific public system, which should undergo considerable expansion in a relatively short time; the specialisation of the business sector in traditional technologies that do not require large investments in R&D and, above all, the lack of national policies that should really give a higher priority and larger financial resources to science and technology policies. <sup>[19]</sup>

It should, however, be noted that in recent years some important changes have been taking place: during the period 2004-2009 the relationship between the public and private sectors in terms of the total expenditure on research changed, and underwent an increase of 12 % in corporate spending, while public spending shrank by 7 %.

Over 70 % of industrial research, as stated above, is focused in the northern part of the country, and especially in Lombardy, Piedmont and Emilia-Romagna. Another component of this strong polarisation is the positive and increasing role of the nonprofit sector, which, however, is based mostly (more than 75 %) in the northern part of Italy, especially in Lombardy. <sup>[20]</sup>

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18 [http://www.istat.it/it/files/2013/03/11\\_Ricerca-e-innovazione.pdf](http://www.istat.it/it/files/2013/03/11_Ricerca-e-innovazione.pdf) p. 236

19 Sirilli, G. op. cit., p. 56

20 Ivi, p. 238

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

Based on origins, history, cultural tradition, amount of resources, sectors and patterns of intervention, number of employees and geographical distribution, Italian foundations make up an extremely complex landscape. Foundations seem to have their own distinct institutional ‘personality’, each with its own tradition and roots. However, they present some common behaviour: they share a culture that privileges individual action and leadership, as well as links with the political framework, at a local level. <sup>[21]</sup> Italian foundations are an expression of autonomy, self-government, and sometimes give the impression of living in quite an isolated world, despite their – actually, few - umbrella organisations. The rationale of creating a database for Italian foundations started with the selection through the Internet of the most important organisations at work within our territory. In fact, with the exception of the ACRI and a few other organisations that coordinate another type of foundation (like ASSIFERO), there is no database, which has produced recent data since the 2005 Istat survey. The 2013 ISTAT census on the third sector analysed the entire sector, and we are waiting for a specific analysis of the role of foundations. After an initial check of the general umbrella organisations present in Italy, which, however, do not show a specific distinction for R&I foundations, the search continued through the selection of individual foundations, which were then contacted individually. The key words for identifying foundations, in addition to research and innovation, were development, improvement, industrialisation, progress, economic growth etc. Additionally, there is no database that performs a distinction between actual research and development foundations and those that support research and development, although, according to the results, we can say that in Italy the latter certainly prevails. This research has allowed the identification of research and development 122 foundations which we believe reflect the criteria required by the EUFORI Study. This number does not include the 88 foundations grouped by ACRI, which we had originally considered excluding from this research. The reasons we opted for this include several factors, the chief among them being the fact that the foundations of banking origin often spend most of their energy and their funds on cultural projects, art or architecture, while scientific research and technological innovation is at the core of the activities of a small number of banking origin foundations which, in general, are still struggling to find a specific area for an institutional commitment. Scientific research remains, for bank foundations, except in few cases such as Fondazione CARIT, Fondazione CASSAMARCA, Fondazione Monte dei Paschi di Siena and Fondazione Cassa di Risparmio di Trento e Rovereto, quite marginal, with an average of about 5 %-7 % of the total contributions allocated. Even in cases in which the role of research and innovation is stated as a mission, there is always a strong emphasis on issues as ‘Public health, preventive and rehabilitative medicine’, aimed at improving the efficiency and quality of hospital facilities in the area of reference and the performances of the health services and primary care provided by them (such as the purchase of technological equipment for laboratories, diagnostic activities as well as surgery departments). We contacted

21 Pacini, M. (1997) *Le Fondazioni in Italia*, in AA.VV., ‘Per conoscere le Fondazioni. I mondi delle fondazioni in Italia e all’estero’, Torino:Fondazione Giovanni Agnelli editore p. 5

several foundations and asked them to publish and broadcast about the EUFORI Study (snowball strategy) in order to strengthen and increase the amount of information collected, but the idea of a common effort to boost this process did not make a real impact. Actually, the database created for this project is probably the most complete in Italy, in addition to the 88 banking foundations grouped under the umbrella organisation ACRI.

## 2.2 The survey

All the foundations listed on the database received a phone call and an email to inform them about the EUFORI Study, in order to prepare the right groundwork for them to receive the information letter from the VU University. During the telephone conversation, we asked for the name of a contact person to whom emails could be sent, which was usually the head of innovation and research sector. Only in rare cases did the foundations provide a generic email (e.g. info@...), while in most cases the email address provided was precisely that of the referent in that sector.

Out of 122 foundations catalogued, only 44 responded to the questionnaire. The percentage of foundations that filled in the survey questionnaire totalled 36.07 %. Only 40 foundations indicated that they support research and scientific innovation.

After a first analysis of the responses received from the Italian foundations, in order to obtain an acceptable response rate we called the most important foundations on the database a second and even a third time, and sent another email to the others.

## 2.3 The interviews

In order to develop the qualitative part of the study, we selected six foundations which presented the relevant aspects in terms of performing best practice, as well as having transparency policies, including, in most cases, online balance sheets and social reporting. We also considered a foundation which does not exist anymore as an operating foundation, but has had a strong impact in terms of stimulating and promoting research in genetics in the Mediterranean area, and is still active: the Eurogene Foundation continues in fact to coordinate training and advanced research in genetics.

Unfortunately, the willingness of the foundations' executives and program officers to participate in face-to-face interviews did not have a great impact. In general, we were asked to carry out a written interview instead of interactive interviews, even by phone or via Skype. There were some exceptions, such as the Foundation Isabella Seràgnoli and the Telethon Foundation, which are among the most important foundations supporting health policies and bio-medical research on Italian soil.

The choice of foundations interviewed was carried out according to criteria which allowed us to gain a general overview of the landscape of R&I in Italian foundations, although de facto this was based on a few examples which had a sufficient time-scale level of activities. It is too early and we need more data to analyse the recent and expanding role of bank origins foundation in their specific fields (see below). We therefore identified one corporate foundation (Fondazione IS), which is an exception in our country, espe-

cially for its ability to create strong connections with institutional, local and regional, private and public organisations, as well as to promote and enhance community-oriented activities and projects that achieve high standards of excellence, reproducibility and long-term sustainability.

We also selected another foundation which is part of an international network; Fondazione Cenci-Bolognetti – Istituto Pasteur. The Institute Pasteur International Network links 32 institutes, united by the same missions, the same culture and the same values. The Istituto Pasteur – Fondazione Cenci Bolognetti joined the global network in 1970. We also selected one of the most important Foundations in Italy that promotes excellent research standards by selecting projects based on merit which are carried out by public entities as well as by private nonprofit organisations; the Fondazione Telethon. Another foundation, which represents a particular case study, because it is based on the collaboration between heterogeneous subjects, is the Fondazione FIORGEN. In the field of economic research, energy and technology, we selected the Fondazione FEEM, whose mission is to improve through research the quality of decision-making in the public and private spheres, with a specific focus on international cooperation on a wide range of climate change, sustainability, energy and economic issues. Finally, we selected, as one of the rare foundations in southern Italy supporting research and innovation, the Fondazione Ri.Med, and a foundation which, despite not being a large institution, is quite competitive in the field of biomedical research in the pediatric sector, The Fondazione Monza e Brianza per la mamma e il suo bambino. Unfortunately in this case it was also not possible to obtain detailed and direct information, except from their website.

# 3 Results

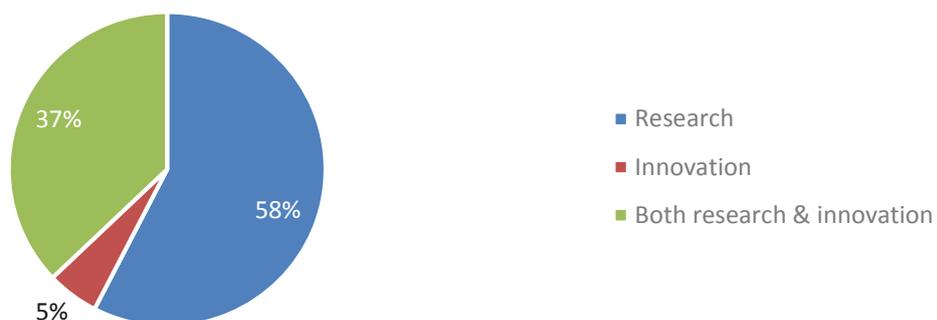
## 3.1 Types of foundation

The total number of foundations that responded to the questionnaire sent for the EUFORI project was 44 out of 123 identified on Italian soil.

Excluding the three foundations that do not carry out research and some incorrect data, 24 foundations supporting R&I in 2012 specialised in research (see figure 1), while the share of exclusively innovation-oriented foundations was negligible, with just one foundation. The graph and the resulting data reflect quite well the Italian situation in the field of research and technological innovation. Italian researchers are among the first in Europe for productivity in terms of publications in international journals. This means they possess a wealth of advanced knowledge and scientific skills, which are the starting point for generating innovative technologies. Unfortunately, Italian companies, which should be the principal transformers of technical and scientific knowledge into technology ready for the market, are mostly micro, small and medium-sized enterprises, with only a few large ones. In addition, the competitiveness of most of these companies operating in sectors such as technology, at least at the level of their products, is, mainly dependent on the efficiency and the innovation of their processes and systems production and other non-technological factors.

**Figure 1: Types of Foundation by R &I**

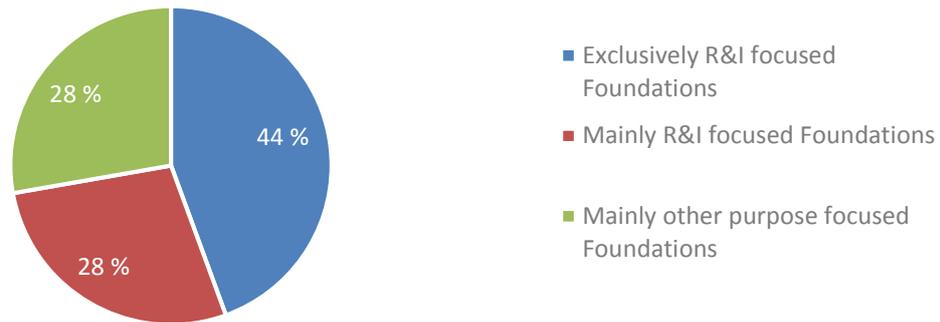
As a percentage of a total number of Foundations (N=44)



Source: EUFORI Survey

Less than 50 % of the foundations that responded to the questionnaire are exclusively focused on innovation and research. Nearly 30 % (27.87 %) indicated they were mainly focused on R&I, and the remaining 27.78 % instead allocated its funding mainly to other projects. The figure that emerges from the survey also confirms the findings from the analysis of banking foundations, which, as we have seen prefer financing, in most cases, local cultural projects.

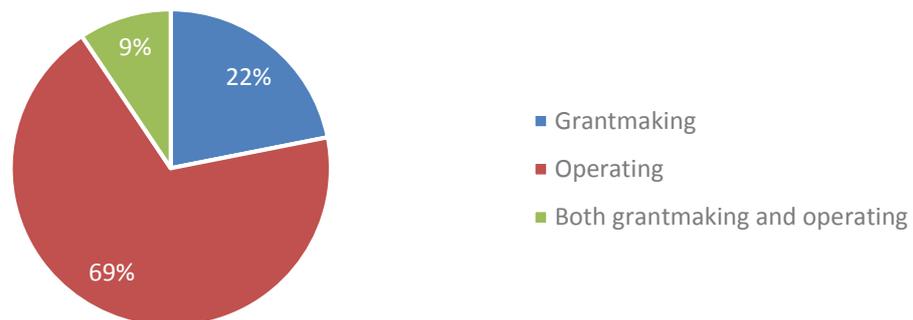
**Figure 2: Types of foundation according to purpose**  
As a percentage of the total number of foundations (N=18)



Source: EUFORI Survey

In Italy, foundations that operate in the field of R&I are predominantly operating, while a much smaller number is grantmaking, and only three carry out both activities. Most of the foundations that responded to the questionnaire prefer distributing their funds to R&I, with a predominance going to applied research. Only one foundation allocates 20 % of its expenditure to research, while the remaining 80 % goes to other purposes.

**Figure 3: Types of foundations; grantmaking vs operating**  
As a percentage of total number of foundations (N=32)

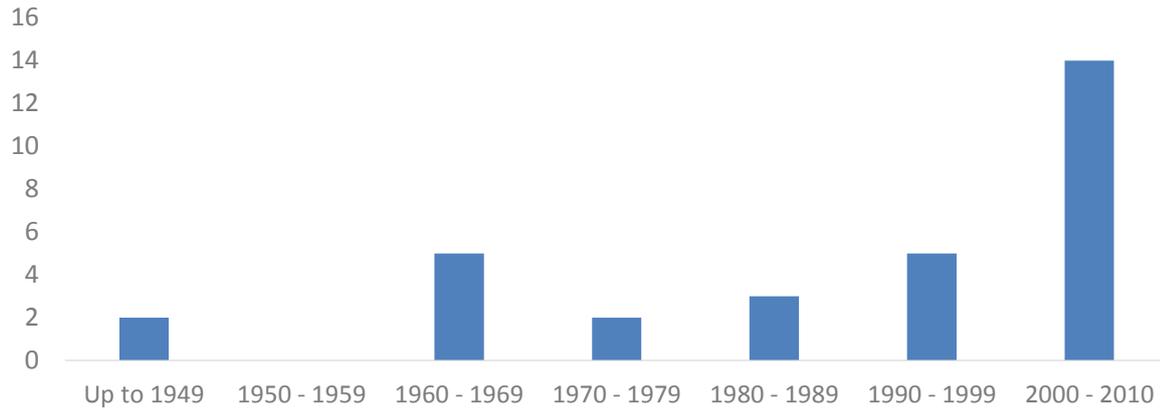


Source: EUFORI Survey

The strong tradition of foundations in Italy is confirmed by the presence of institutions that date back to the 1920s, either as the year of establishment, or the year of registration. Even if most foundations date from the beginning of this century, it must be repeated that the increase in the number of foundations in recent years has been supported by the process of privatisation of public institutions which has happened in Italy in relatively recent times. In view of this process, not all the foundations established in recent years can be considered as genuinely new, as is often the case with institutions of very ancient origins which have passed from the public to the private sector (See chapter 1).

**Figure 4: Types of foundation according to year of establishment**

Number of foundations by decade (N=31)



Source: EUFORI Survey

## 3.2 Origins of funds

### 3.2.1 Financial founders

The two main groups that represent the financial founders of the foundations we selected are private individuals or families and the public sector, which usually constitute a unique financial founder (See figure 5).

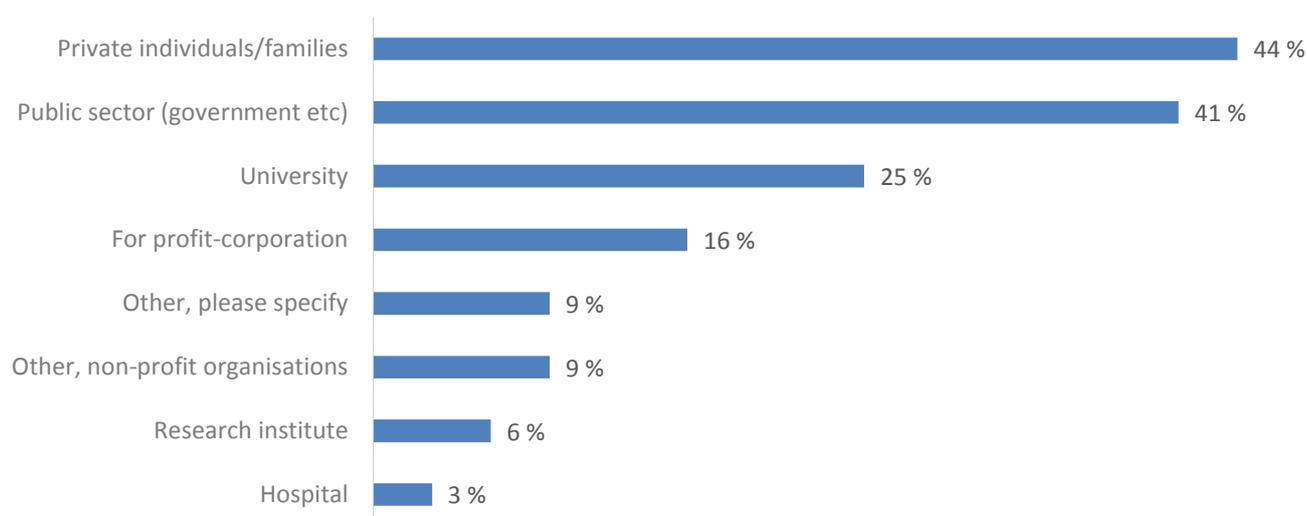
In the event that the financial founder is a university, the foundation usually works in collaboration with the public sector, while in rare cases with private individuals or families. The number of foundations that have a hospital as their financial founder (only one and in collaboration with other bodies) or a research institute (two) is rather limited.

Generally a governing board (with appointed members or elected members) is in charge of defining a foundation's annual strategy.

Moreover, if we consider the data obtained from the questionnaire sent to foundations, the gap between the public and private sector is less relevant.

### Figure 5: Financial founders

As a percentage of the total number of foundations, multiple answer possible (N=32)



Source: EUFORI Survey

### 3.2.2 Income

According to the ISTAT survey specifically devoted to foundations, in 2005 revenue totalling EUR 15.6 billion, with an average amount for each foundation of about EUR 3.3 million was declared. Regarding the sources of financing, foundations recorded their revenue as being predominantly from the private sector, while much less came from public sources.

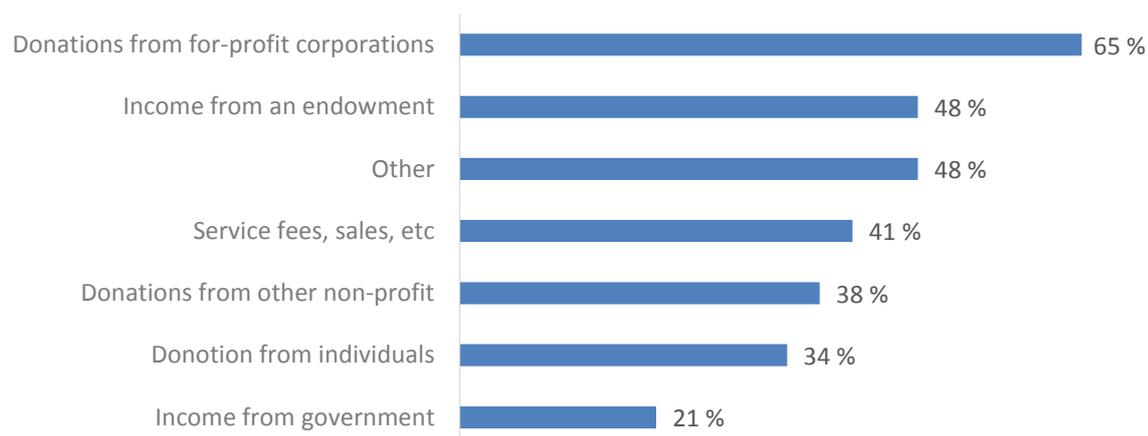
If we compare these data with the amounts from our survey, we can say that the trend has generally continued. The total number of foundations that declared the value of their income for the year 2012 was 21 out of 44. Only three foundations declared a total income exceeding EUR 20 million. The largest group comprised foundations that have a total income of between EUR 1 million and EUR 8 million, namely nine foundations. The remaining six foundations declared amounts under EUR 1 million. The total income in 2012 of the 21 Italian foundations that answered completed the questionnaire was EUR 518 199 675.30 within a range of EUR 150 000 and EUR 257 606 000.

Statistics Income	
Number of foundations	21
Mean in Euros	24 676 175
Median in Euros	3 740 881
Total income in Euros	518 199 675

Source: EUFORI Survey

### Figure 6: Sources of income

As a percentage of the total number of foundations (N=29)



Source: EUFORI Survey

If we also take into consideration the data from our interviews, for example the Foundation FEEM, we can say that the total revenue for 2012 totalled EUR 7 855 816. Contributions from founders and ENI companies represented the main source of funding for the annual budgets, accounting for 59 % of the total revenue in 2012. FEEM is an example of a foundation whose largest share of income comes from companies.

The analysis of the sources of income is based on the results of the EUFORI Survey, because in Italy an official database does not exist that can integrate our sources.

Source of income	Amount in Euros
Income from an endowment	20 174 869
Donations from individuals	276 952
Donations from for-profit corporations	8 429 000
Donations from other nonprofit organizations	3 603 687
Income from government	699 790
Service fees, sales etc.	115 278 179
Other	9 562 293
Unknown	344 233 077
<b>Total income</b>	<b>518 199 675</b>

Source: EUFORI Survey

The principal source of an original endowment of a foundation in Italy is ‘Donation of money from initial founder(s)’. The sources ‘Property (i.e. land or/and buildings)’ and ‘Legacy/bequest (all type)’ are more or less at the same level. Shareholdings (securities) from initial founder(s) are the least common source of an original endowment for a foundation in Italy. According to the EUFORI Study data, patents, proceeds from privatisations or others are not a source of a foundation’s original endowment.

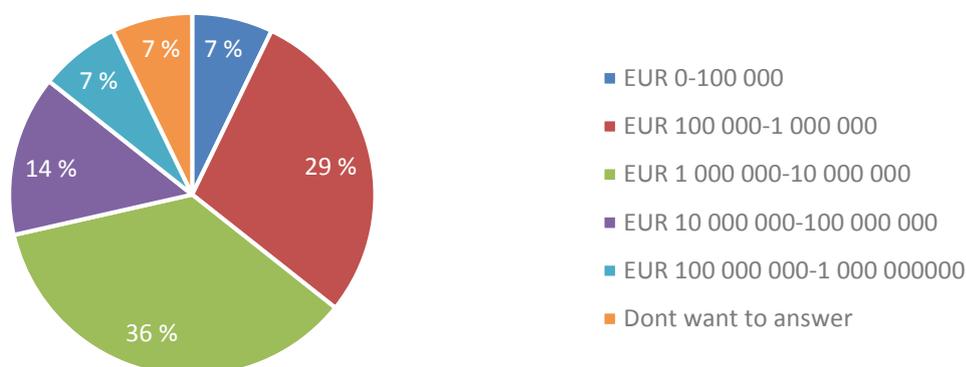
A more specific analysis of foundations with income from government subsidies and grants shows that, despite the government being one of the main financers of foundations, there are not often government representatives on the governing boards or the supervisory board, and the government's influence on decisions concerning the allocation of funds is very limited

### 3.2.3 Assets

The total assets of Italian foundations in 2012 was EUR 328 848 560.63 (out of 13 foundations ranging from EUR 50 000.00 to EUR 32 246 737). If we consider the total assets of foundations that indicated the value of their assets in the EUFORI questionnaire, we can draw the conclusion that, in general, foundations, in terms of the percentage of their total activity focus their resources into long-term investments in securities (e.g. bonds, common stocks and/or long-term notes).

**Figure 8: Total assets according to category in Euros, 2012**

As a percentage of the total number of foundations (N=14)



Source: EUFORI Survey

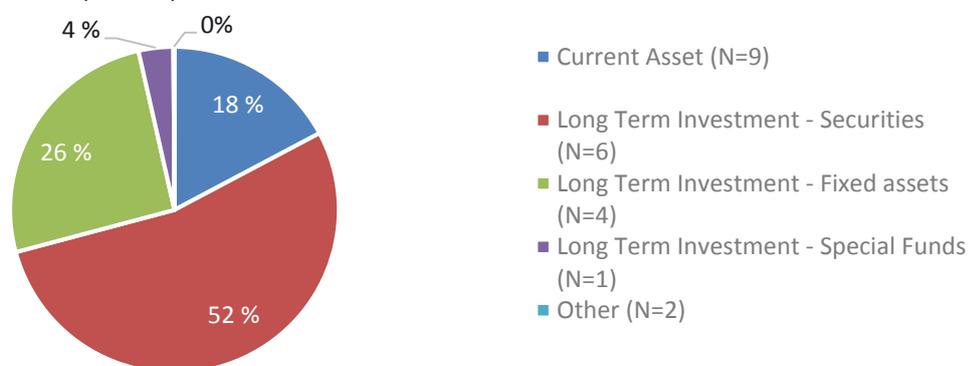
Statistics assets	
Number of foundations	14
Mean in Euros	25 296 043.13
Median in Euros	2 693 000
<b>Total Assets in Euros</b>	<b>328 848 560.63</b>

Foundations have often assumed a role of substitution due to the chronic lack of strong institutional investors, which still represents an anomaly and a specifically Italian handicap compared with more advanced economies and financial systems, but with which Italy has to compete. For foundations, long-term investments seem to be the best way to make significant progress in the various fields of development (training,

research, social housing, infrastructure, innovation and the environment). They are necessary for growth, competitiveness and social cohesion, but they cannot always be financed from public budgets burdened by the crisis, and therefore increasingly they need the competition of private investors and lenders.

**Figure 9: Distribution of assets**

As a percentage of total (known) assets



Source: EUFORI Survey

Distribution of Assets	Assets in EUR millions
Current assets	9 793 884.47
Long-term investments - securities	30 353 091.39
Long-term investments – fixed assets	13 078 480.75
Long-term investments – special funds	1 934 804.23
Other	63 444.76
Unknown	273 624 855.02
<b>Total assets</b>	<b>328 848 560.63</b>

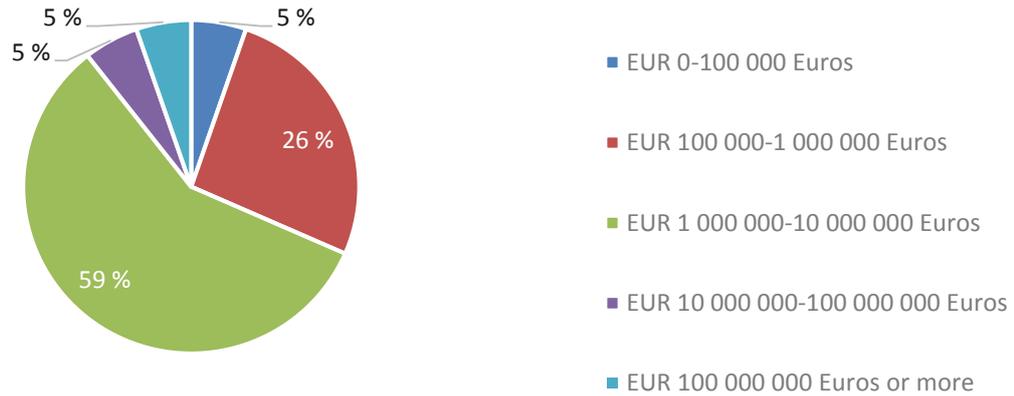
## 3.3 Expenditure

### 3.3.1 Total expenditure

The percentages generated from the analyzed data, reveal that foundations in Italy have preferred to make investments in research, while expenses for innovation have been few, sometimes at level zero. If we consider the values in the pie under we can say that in Italy several million Euros have been spent to stimulate research. Despite that, it is difficult to find Foundations with expenditures for research over 4.000.000 €. It's easiest to identify Foundations that allocate expenses for research below 2.000.000 €. Concerning the total expenditures for Innovation, in 2012, have not been planned at all for more of 3.000.000 €.

**Figure 10: Total expenditure according to category in Euros, 2012**

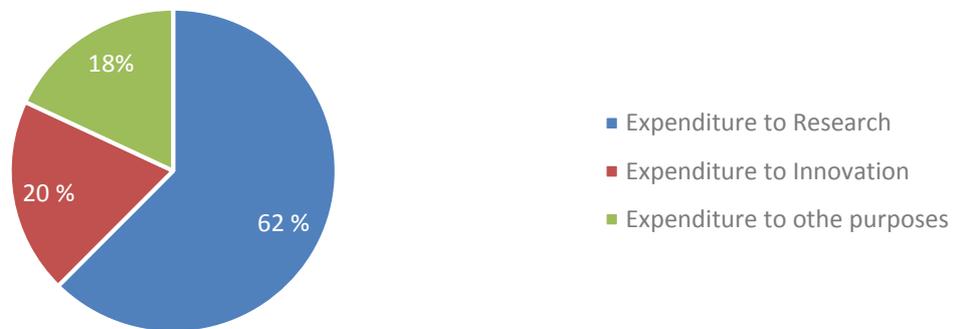
As a percentage of the total number of foundations (N=24)



Statistics expenditure	
Number of foundations	24
Mean in Euros	19 679 695.71
Median in Euros	2 492 417.00
<b>Total expenditure in Euros</b>	<b>373 914 218.44</b>

**Figure 11: Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of total known expenditure (N=18)



Source: EUFORI Survey

Expenditure on	Euros
Research	29 532 724.44
Innovation	9 255 789.26
Other purposes	8 569 930.74
Unknown	326 555 774.00
<b>Total expenditure</b>	<b>373 914 218.44</b>

The particularly high value of the 'Unknown' category and the subsequent inability of six foundations to allocate their costs to research, innovation and other areas in the Italian case may have several explanations. One of the main causes is that in Italy foundations, particularly bank origin foundations, that are the wealthiest, do not practise capital risk directly and tend to leave the responsibility for innovation and decision-making in capital risk to other organisations, such as research institutes. Another cause can be traced in the very nature of some foundations such as IRCCS (scientific institutes for hospitalisation and care), which are hospitals of excellence whose main goal is to carry out clinical research and the management of health services. These foundations have quite a significant research dimension, but their predominant policies remain health services and disease diagnosis. Therefore they do not produce a lot of expenditure.

Last but certainly not least, there is the issue of dissemination. Even if in the questionnaire it was explained that all types of support for research were included in the survey, dissemination, which appears to be the main goal of these foundations to the detriment of scientific research, seems to justify their inability to accurately allocate funds to research, innovation and other purposes. If we consider the amounts declared in the EUFORI survey, and the high value of the 'unknown' category, all these aspects are relevant in explaining the substantial lack of expenditure data in the questionnaire

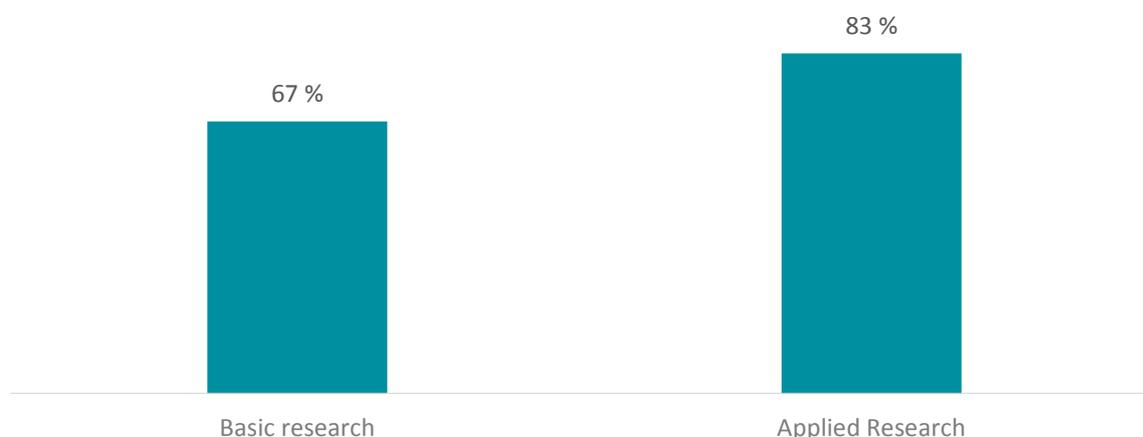
### 3.3.2 Research

The research area in which Italian foundations mainly operate is applied research. The percentages of expenditure confirm these data, revealing that the majority of foundations (according to the valid data) used between 75 %-100 % of their funds for applied research.

About 60 % of the research-oriented foundations support basic research, while more than 80 % deal with applied research. The overlap between the two types of foundation, calculated on the basis of the survey data, is 50 %.

**Figure 12: Distribution of expenditure on research; basic vs applied**

As a percentage of the total number of foundations (N=24)



Source: EUFORI Survey

The difficulty of sharing funds and the limited amount invested by the government in research activities should be considered a relevant factor in explaining the low ranking of research as a national strategic issue compared to other European countries. The picture of the reality of Italian science as a whole as revealed by assessments by several international organisations, such as OECD, conceals some serious problems that must be analysed and addressed before they cause a general collapse of the entire research system in Italy. The first of these problems concerns industrial research, and the second is Italy's very low degree of attractiveness as a country where research can be carried out.

In Italy, little is spent on the scientific research industry, and financial resources dedicated to the research industry in general are particularly scarce. Also, from the OECD statistical data, we can see that while Italy has 67 % of the OECD median for public spending on research, it has just 50 % for industrial investment in research. In fact, basic research has the advantage of a greater distribution of expenditure compared with applied research. Instead, it seems that there is no predominance in terms of the percentage of the total research expenditure going to scientific projects and programs, or to research-related activities. There is still a very high value for the 'Unknown' category, which seems to be characteristic of all of the survey's results.

Distribution of expenditure on research	Direct vs research-related	
Direct research (N=12))	11 343 606.94	39 %
Research-related (N=11)	8 969 399.19	30 %
Unknown	9 219 718.31	31 %
<b>Total expenditure on research</b>	<b>29 532 724.44</b>	<b>100 %</b>

Distribution of expenditure on research	Basic vs applied	
Basic research (N=13)	14 590 166.85	49 %
Applied research (N=13)	10 326 617.59	35 %
Unknown	4 615 940.00	16 %
<b>Total expenditure on research</b>	<b>29 532 724.44</b>	<b>100 %</b>

### 3.3.3 Innovation

Italy is still dramatically behind in terms of the picture that emerges from the reports of the European Commission dedicated to the countries' ability to innovate, which is also confirmed by the EUFORI survey. Our country invests less than half of all its competitors in research (about 1 % of the GDP). This gap is only partly explained by the fact that our industrial structure largely comprises small and medium-sized enterprises. Investment in research has been continually sacrificed at the expense of the future of the country. The weaknesses consist of the low numbers of doctoral students from outside Europe and the few innovative companies that collaborate with others. The strengths are instead only to be found in international scientific co-publications.

Even the lack of cooperation between small and medium-sized innovative enterprises, which is wholly inadequate in the entire peninsula, with rare exceptions, is a real reason for concern for Italy in the field of innovation, as well as private investment in R&D, where Italy is mostly below the EU average.

Of the 21 foundations that responded to the questionnaire for the EUFORI study, only seven indicated that they allocate a percentage of their expenditure to innovation, but only six also provided the amount they spent, with a total of EUR 9 255 788

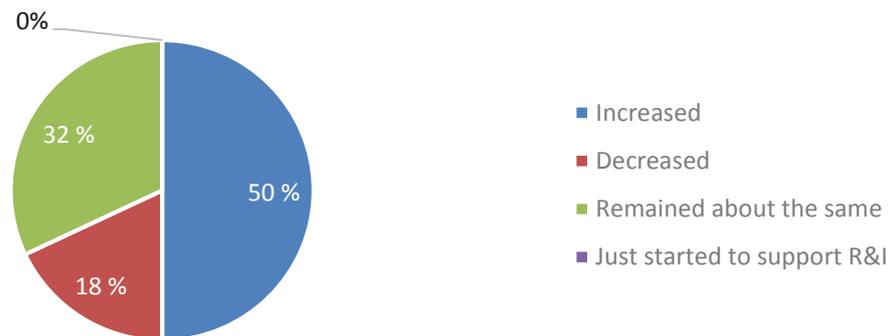
### 3.3.4 Changes in expenditure

Compared to the previous fiscal accounting year, half of the Italian foundations reporting in the EUFORI study increased their expenditure on R&I. The data reveal that than seven foundations out of 22 maintained the same amount of spending, and even that four foundations decreased their expenditure.

These data, certainly not positive, also indicate the percentage of increase in expenditures. In only one case it is equal to 100 %, but usually it is between 1 % and 20 %.

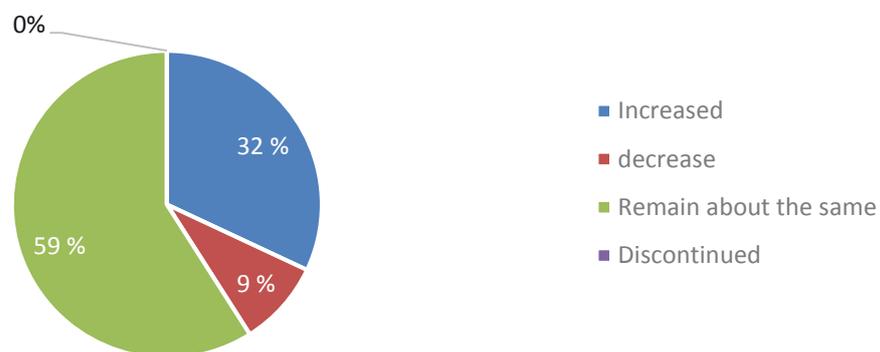
**Figure 13: Changes in expenditure on research and innovation compared to the previous year**

As a percentage of the total number of foundations (N=22)



**Figure 14: Changes in expenditure on research and innovation, expectations for the following year**

As a percentage of the total number of foundations (N=22)



Source: EUFORI Survey

## 3.4 Focus of support

### 3.4.1 Beneficiaries

Since this analysis only applies to grantmaking foundations, the number of responses is lower if compared with other questions. The data are particularly significant, as they show, above all, what is not funded or is excluded from funding by foundations in Italy.

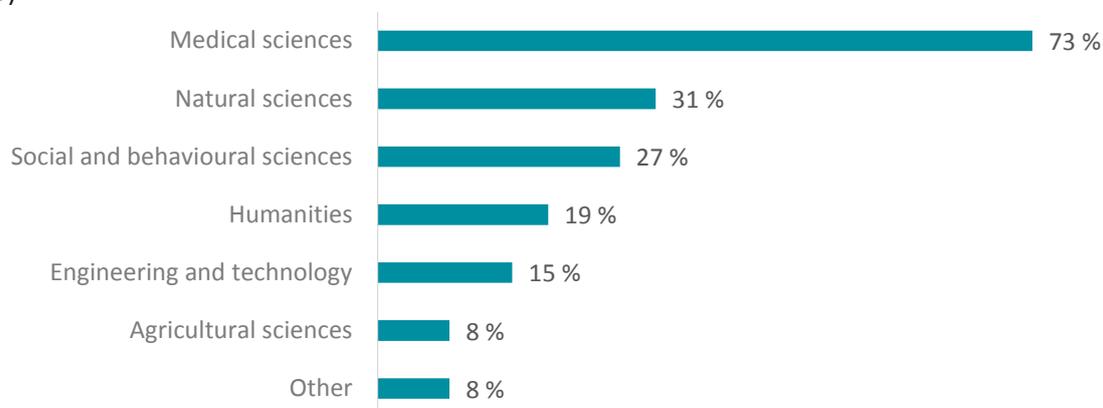
Certainly the education sector (public and private) is the one in which a lack of funding is the most evident, while research centres and public research bodies are still the principal beneficiaries for a number of foundations. While public HEIs still receive a reasonable amount of funds from foundations, although less than 50 % of their funding, the private education sector is completely excluded from funding.

### 3.4.2 Research areas

Foundations in Italy mostly support medical science, while the field of natural science, i.e. mathematics, physics, astronomy, chemistry and so on can be in ranked second place. It is important to emphasise the inadequate role played in Italy by research areas, which theoretically should play a primary role; agricultural science and, especially, engineering and technology, in some cases are funded even less than the humanities.

**Figure 15: Research areas**

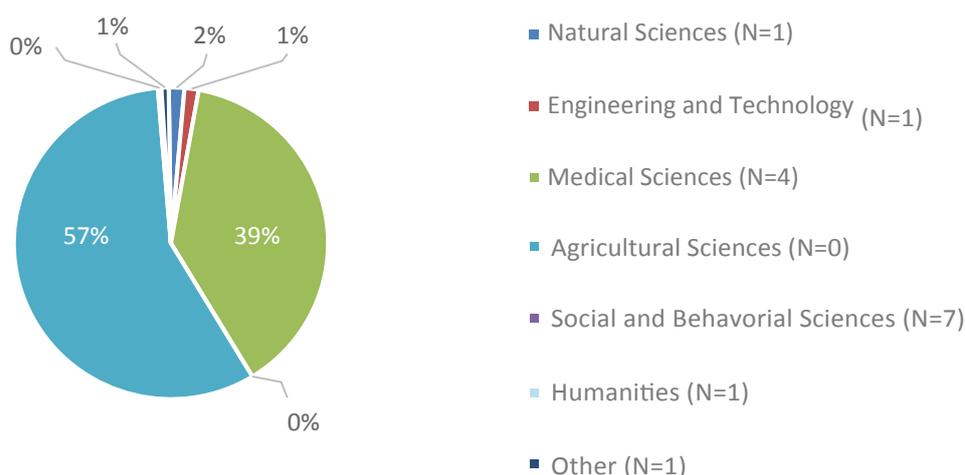
As a percentage of the total number of foundations, multiple answers possible  
(N=26)



Source: EUFORI Survey

**Figure 16: Research areas**

As a percentage of total known expenditure on research



Source: EUFORI Survey

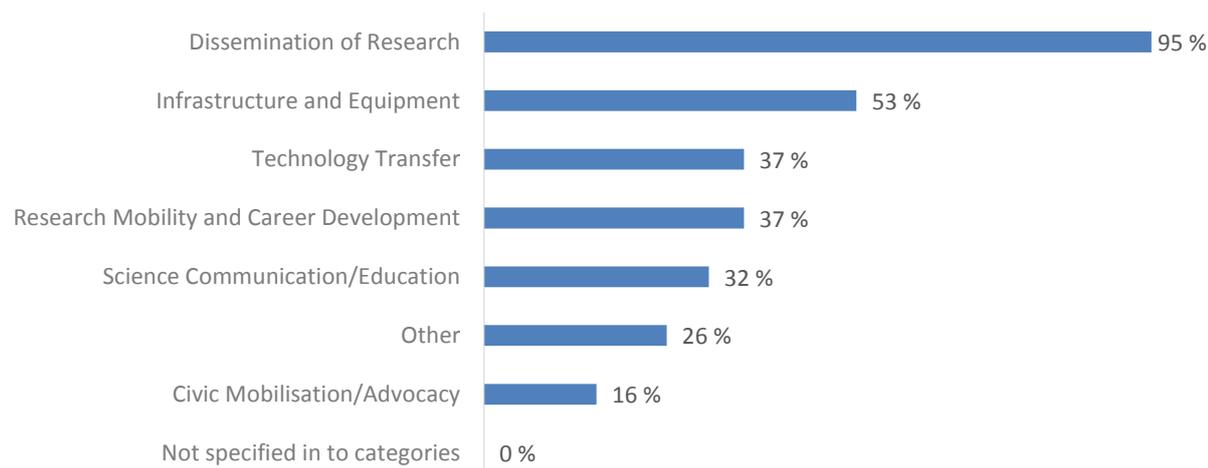
Expenditure on	Amount in Euros
Natural sciences (N=1)	220 000
Engineering and technology (N=1)	200 000
Medical sciences (N=4)	5 260 417
Agricultural sciences (N=0)	0
Social and behavioural sciences (N=2)	7 838 540
The humanities (N=1)	49 000
Other (N=1)	100 000
Unknown	15 864 701
<b>Total expenditure on research</b>	<b>29 532 724</b>

### 3.4.3 Research-related activities

The dissemination of research is certainly the main activity supported by foundations in Italy. A good level is reached also by the field of infrastructure and equipment, i.e. laboratories, research centres etc., as well as technology transfer. Research and activities related to civic mobilisation or advocacy have less support.

**Figure 17: Research-related activities**

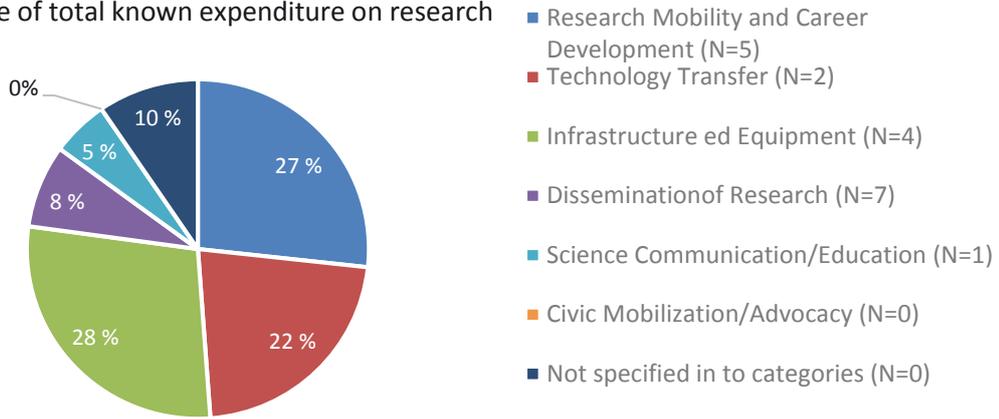
As a percentage of the total number of foundations, multiple answers possible (N=19)



Source: EUFORI Survey

**Figure 18: Research areas**

As a percentage of total known expenditure on research



Source: EUFORI Survey

Expenditure on	Amount in Euros
Research mobility and career development (N=5)	3 615 812
Technology transfer (N=2)	2 992 093
Infrastructure and equipment (N=4)	3 832 559
Dissemination of research (N=7)	1 078 117
Science communication/education (N=1)	732 961
Civic mobilisation/advocacy (N=0)	0
Other (N=2)	1 293 110
Not specified into categories (N=0)	0
Unknown	15 991 342
<b>Total expenditure research</b>	<b>29 532 724</b>

### 3.4.4 Changes in expenditure on research and research-related activities

When comparing the past five years and 2012, the foundations in Italy that have expanded their funding into different research areas are those operating in medical science (from 16 to 19 foundations), which is consistently the most-funded research area, and in social and behavioral science (from 4 to 7). Some exceptional foundations have supported more than one research area in the past 5 years.

Concerning research-related activities, we can say that there has been no increase in the foundations that support them. Only in the field of infrastructure and equipment in Italy can we see a shift from seven foundations to ten.

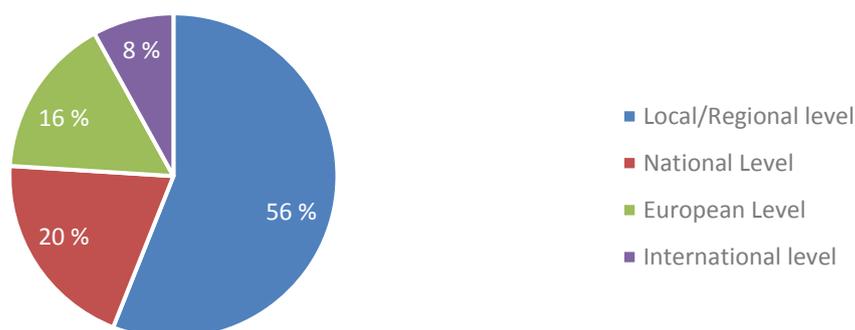
## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

This study has revealed that the geographical distribution of expenditure with respect to the percentage of total expenditure on research and innovation has a purely regional or local character, and does not reach a national level. The data clearly express the geographical limits within which Italian foundations work. Only in very few cases do their activities include European areas, and even fewer are involved in international programs. One foundation that operates in other EU countries has reported difficulties in terms of political and intellectual property rights.

#### Figure 19: Geographical focus of support

As a percentage of total (known) expenditure on research and/or innovation (N=20)



Source: EUFORI Survey

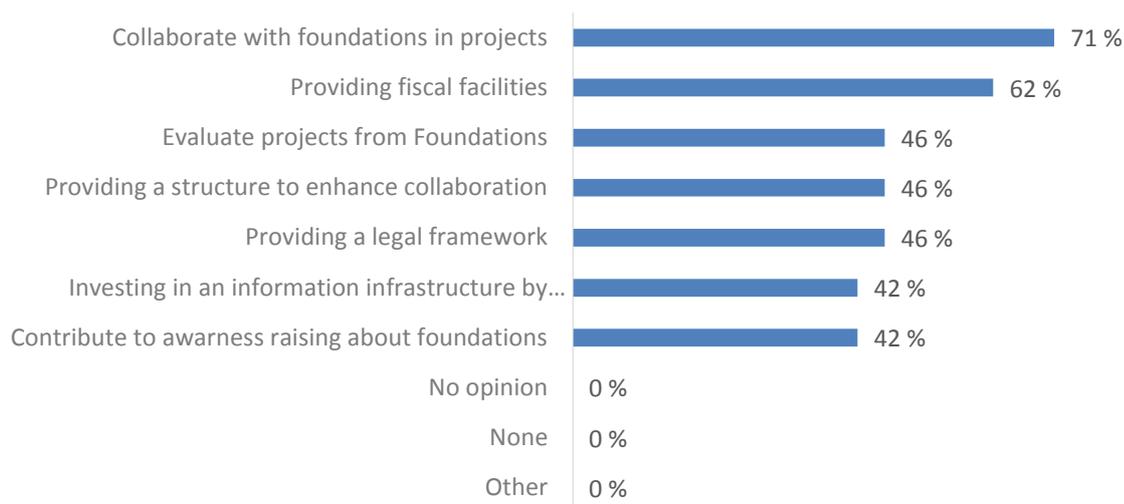
Geographical level	Amounts in Euros
Local/Regional level	12 316 266
National level	4 330 931
European level	3 586 840
International level	1 800 936
Not allocated	16 753 540
<b>Total expenditure on R&amp;I</b>	<b>38 788 514</b>

### 3.5.2 The role of the European Union

The data emerging from the questionnaire reveal that the role of the EU in relation to foundations should, in particular, endorse collaboration with foundations in projects, as well as providing fiscal facilities and, to a lesser degree, provide a legal framework and structure to enhance collaboration.

### Figure 20: Role of the European Union

As a percentage of the total number of foundations, multiple answers possible (N=24)



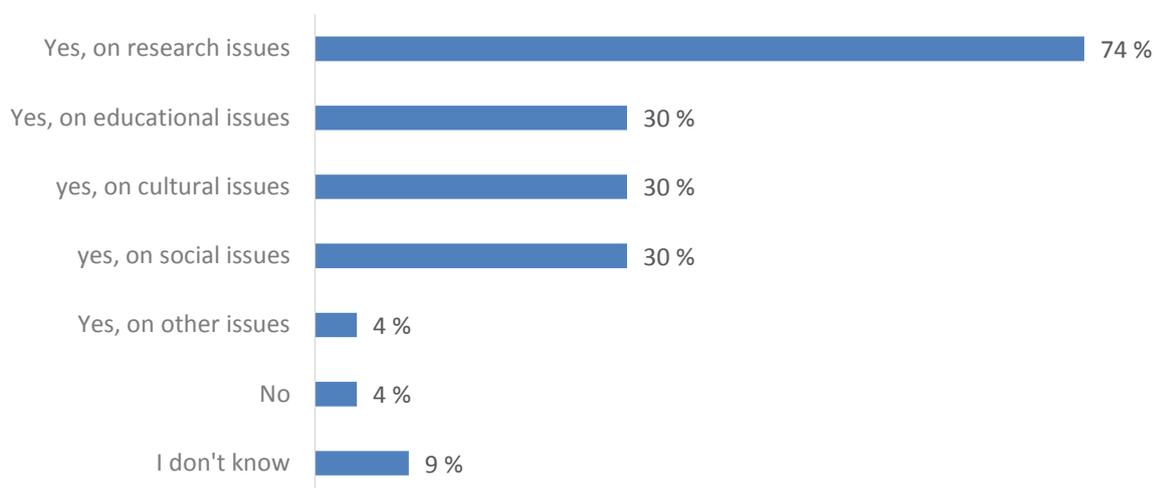
Source: EUFORI Survey

### 3.5.3 Contribution to European integration

Italian foundations contribute to European integration especially with regard to the encouragement and support for joint research projects within Europe

### Figure 21: Contribution to European Integration

As a percentage of the total number of foundations, multiple answers possible (N=23)



Source: EUFORI Survey

## 3.6 Foundations operations and practices

### 3.6.1 Management of foundation s

A governing board with appointed members is the main body in charge of the management of Italian foundations; in other cases this role is played by a governing board with elected members and only rarely is it played by the original financial founder.

Concerning the number of governing board members, Italian foundations usually have governing boards with fewer than 10 people. Only in rare cases do they exceed 15, while none of the foundations which completed the questionnaire reached 20 members.

The data presented in the questionnaire reveal that 3 foundations have over 3 000 professional paid staff (FTE), 4 foundations between 1 000 and 3 000, and 4 between 150 and 500 (FTE), but the majority (14 foundations) have over 50 employees.

### 3.6.2 How do grantmaking foundations support research?

This question is applicable only to foundations that support grants; consequently the number of responses is limited compared to the other questions.

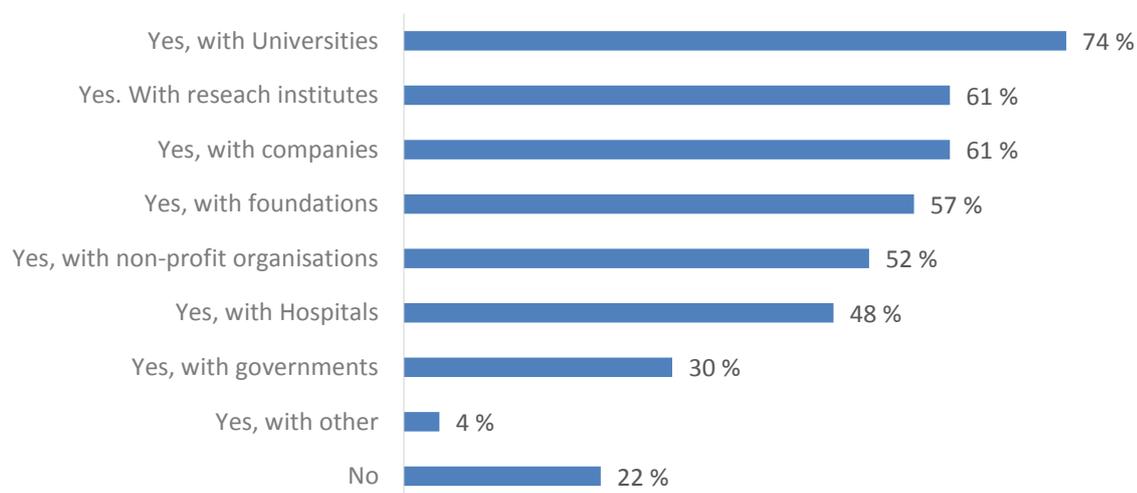
In general, foundations in Italy are characterised by a lack of evidence showing how grants have been spent after funded projects have been completed, taking into account the fact that most of the granted projects are on a short-term basis, although they are frequently renewed. The practice of funding each organisation only once does not seem to be particularly widespread in Italy. For a few years the practice of applying the venture philanthropy model has been developing in a small number of foundations, including bank origin foundations (see below).

### 3.6.3 Engagement in partnerships

The principal partners of Italian foundations that aim to develop joint research are other foundations, universities and hospitals; whereas limited importance is devoted to programs developed by others nonprofit organisations. Partnerships are developed because of pooling expertise and/or sharing infrastructure, and for increasing impact. The need to relate these partnerships to increase legitimacy is considered to be of minor relevance.

**Figure 22: Partnerships**

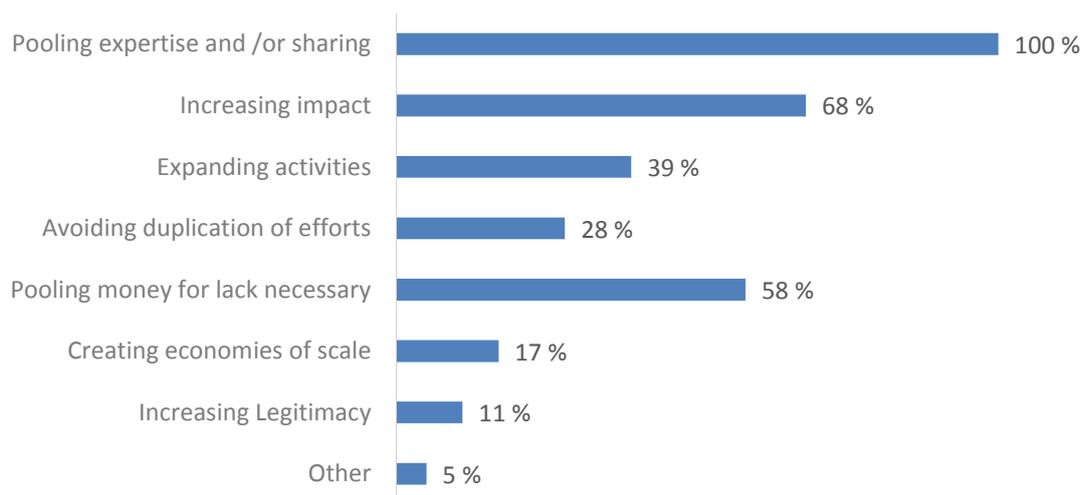
As a percentage of foundations, multiple answers possible (N=23)



Source: EUFORI Survey

**Figure 23: Motivation partnerships**

As a percentage of foundations, multiple answers possible (N=18)



Source: EUFORI Survey

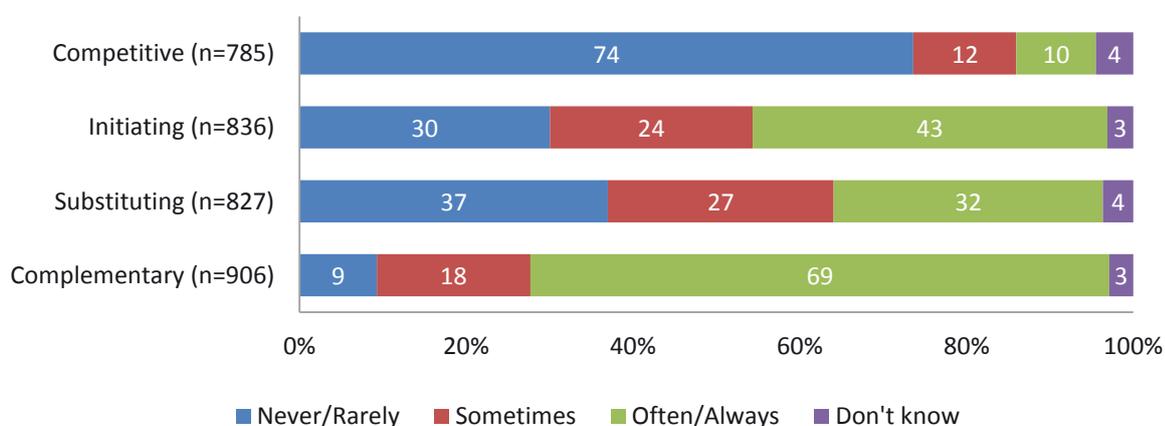
## 3.7 Roles and motivation

### 3.7.1 Roles

In Italy the role of foundations in the domain of R&I is often 'complementary' (a complement to public/ other programs/aims), or 'substituting' (a substitute for public/other programs/aims). Therefore, it is not surprising that, as the data reveal, foundations in Italy play a small role in initiating and starting up original projects with the expectation that other public or private institutions will take over once the the innovation seed money granted by the foundations themselves takes effect. It is also very unusual that Italian foundations play the role of competitors, or even aim to compete.

**Figure 24: Roles of foundations**

As a percentage of the total number of foundations according to role



Source: EUFORI Survey

### 3.7.2 Motivations (in-depth interviews)

There are, however, a few exceptions that we have selected following the rationale of institutional excellence, as well as their location on a national level in order to give an overview of the geographical dimensions. One should keep in mind the asymmetrical density of foundations between the northern and the southern regions of Italy. Thus, the level of ‘representation’ of innovative practices should be considered within the framework of this asymmetry.

Among the examples of innovative practices and activities of foundations in the field of research and innovation with specific reference to institutional configuration as well as successful partnerships, we have selected the following foundations:

#### The IS Foundation

The IS Isabella Seràgnoli Foundation. The Seràgnoli family has long been committed to charitable work and this philanthropic vocation has grown and strengthened over the years as the new generations have taken over. Indeed, philanthropy became a family affair when Enzo Seràgnoli and his cousin Ariosto, co-founders of the G.D. Company, consciously recognised the precarious socio-economic situation of the workers in Italy at the end of the Second World War. In the following years, the family’s social engagement brought about a comprehensive approach to several issues, mostly related to supporting culture, community development, research, education and healthcare. When in 2003, Isabella Seràgnoli established the IS Foundation, providing philanthropic activities with a formal framework, and the consolidation of their social and cultural capital became the foothold and cornerstone of all their subsequent activities. Since then, the IS Foundation has worked at the intersection of several focal areas, maintaining a portfolio of interconnected initiatives. In order to create a true systemic change, the IS Foundation seeks and adapts the best operating practices adopted nationally and internationally by the business community and the nonprofit sector, believing that ‘smart’ means of achieving goals in a cost-effective manner – doing good, doing well – can be borrowed by acting in an entrepreneurial manner, as well as through the benchmarking of policies and practices embraced by scientific and cultural institutions around the globe. The IS Foundation operates on a nonprofit basis, in the public interest and pro bono in several fields, including the arts, culture, education, scientific research, healthcare and so on, by leading, coordinating and controlling grantmaking activities, development projects and several consolidated companies, mostly second-level foundations. While the strategic and constituency-based funding focus is managed at a senior level, operating foundations functionally connected to the holding company – the IS Foundation – uphold an executive profile:

- The Hospice Foundation (healthcare) and ASMEPA (research and education) both deal with palliative care.
- The Gruber Foundation (healthcare), which manages a residential facility and an outpatient clinic for eating disorders.
- The MAST Foundation (art, technology and innovation), which provides various services to the G.D. company, as well as to the community.

Besides managing strategy, the effective coordination of activities and the division of tasks, the IS Foun-

dation is in charge of providing its subsidiaries with share services and functions such as financial management and administration, accounting and control, purchasing management, and ICT management. Fundraising activities and communication are also governed at a central level. In terms of human resource management, although the IS Foundation is in charge of HR management and policy, building divisions or departments with relative autonomy and leaving only crucial decisions to be made by the central governing institution, may become a realistic option in order to cope with the quick growth the IS.F. Group has been facing lately. The IS Foundation and its second-level entities are governed by dedicated boards which approve the annual budgets (with the backing of an independent audit committee), provide supervisory functions, and serve as key sources of expertise in developing and evaluating projects. As mentioned previously, partnerships and interacting with other sectors of society are the IS foundation's most important achievements and reasons for excellence and innovation.

Seeking the widest social return on investment, the IS Foundation promotes networks of heterogeneous institutional bodies – government agencies, universities, research centres, private players, civil society, companies and the business community – on most issues and at several levels of co-partnership. Interventions in the healthcare sector in particular are consistently developed through public-private partnerships, aiming at matching supply with demand and offering the highest quality standards for free to patients and their families.

Finally, we should mention a rare policy in the Italian context, i.e. policy-making based on transparency policies; the IS Foundation's policy-making processes are inspired by pivotal issues such as effectiveness, accountability and transparency, both internally – by committing to the mission, setting high standards and removing information/communication asymmetries – and externally, involving community representatives in decision-making processes and circulating annual reports (to stakeholders, shareholders, authorities and the community in general).

### **The Eni Enrico Mattei Foundation**

Fondazione Eni Enrico Mattei (FEEM) is an independent foundation officially recognised by the President of the Italian Republic in 1989. FEEM was founded by Eni and nine of its subsidiaries with an initial endowment of EUR 13 million. FEEM is player in promoting innovative projects since it is not a grantmaking institution supporting research, but conducts independent research using its own human capital and coordinated programs based on several streams of research that are up to date in spite of their age, frequently in cooperation with international institutions and agencies. FEEM's research staff includes experienced international research leaders with key responsibilities in the design and implementation of projects, senior and junior residential researchers working in the offices of Milan, Venice and Viggiano, and research associates, typically affiliated to a university or to other research institutions and involved in specific projects. FEEM has worked at national and international levels with and for several policy institutions, such as the United Nations, the European Environmental Agency and the World Bank. With regard to funding, the largest sponsor of FEEM's research activities over the years is the European Commission, in particular through its RTD framework programs. Successful research is primarily a cooperative venture, and FEEM has always strived to create strong links with the international scientific community and partnerships with

leading institutions. Built up over the years by involving the best researchers and top research institutions on various projects, the international research network allows FEEM to remain acquainted with state-of-the-art scientific knowledge, to spread its results more widely and involve its human capital in international interaction. FEEM's global footprint is quite impressive: today, FEEM is linked via joint projects, partnerships or associations with over 600 research institutions operating in 90 countries around the world. It is worth mentioning that over the years, FEEM has also contributed to the creation of a number of thematic networks and associations, such as the European Association of Environmental and Resource Economists (EAERE). Concerning pilot projects, we should mention that the starting point of FEEM's research is the realisation of the high level of complexity of the problems emerging in the global economy, and more particularly the economic and energy situations in terms of corporate and cultural responsibility. In 2012 FEEM consolidated its research activities into three research programs: i) 'Climate Change and Sustainable Development', ii) 'Energy: Resources and Markets', and iii) 'Economy and Society'.

The research programs concerned with 'Climate Change and Sustainable Development' address the two inter-related issues of climate change and sustainable development, as well as a corollary of key topics in the field of environmental economics. The research program concerned with 'Energy: Resources and Markets' is carrying out socio-economic analysis in a vital area which will become even more strategic in the coming decades. The research programs concerned with 'Economy and Society' promote a multidisciplinary approach to scientific research on the human and social dimension of economic progress and civilization. The research projects have dealt with, inter alia, the new sources of competitiveness in the global economy, the third sector's contribution to welfare progress and employment, and Euro-Med cultural and political issues.

Climate can be considered as being at the innovative core of FEEM's research outcomes. On the mitigation side, FEEM is positioned at the forefront of international research through the use of the energy-economy-climate WITCH model (<http://www.feem-web.it/witch/>), specifically designed to assist in the study of the socio-economic dimensions of climate change and to help policy makers understand the economic consequences of climate policies. On the impact side, FEEM investigates the impacts of climate change on the world economy with ICES (<http://www.feem-web.it/ices/>), a model designed to assess the final welfare implications of climate change which captures the production and consumption substitution processes at play in the socio-economic system as a response to climate catastrophes. On the adaptation side, FEEM has introduced an endogenous adaptation sector, although in a very aggregated way, within the WITCH model (AD-WITCH), also accounting for innovation and its role in shaping dynamic adaptation strategies. Finally, FEEM has excellent know-how in the dissemination of theoretical and applied research.

As in the case of the IS Foundation, we should emphasise that FEEM's policy-making makes specific reference to transparency policies. Through the rigour of its research, FEEM aims at improving the credibility and quality of decision-making in the public and private spheres.

## The Telethon Foundation

The Telethon Foundation is a major Italian charity focused on rare genetic diseases. Telethon was founded in 1990 by a patients' association, the Italian Union for Muscular Dystrophy (UILDm), an initiative inspired by – but not affiliated with – popular television marathons promoted in the USA and France. Telethon's mission is to advance biomedical research towards the cure of rare genetic diseases, otherwise neglected by major public and private investments. Their ultimate goal is to make therapies available to all patients in need. To this end the Foundation funds mission-oriented research strictly selected through a merit-based evaluation process and pursues cooperation strategies with private and public institutions to achieve full therapeutic development of the obtained results. Telethon relies on donations from the public through major fundraising events (such as a television marathon in December) and diverse fundraising initiatives throughout the year. Telethon's governance originally consisted of a Committee (Comitato Telethon Fondazione Onlus) in charge of the selection and funding of extra-mural research and of a Foundation (Fondazione Telethon) in charge of managing intramural research. With regard to partnerships and interaction with other sectors of society (government, civil society, companies, nonprofit organisations, universities) the Telethon Institute for Gene Therapy (Tiget) in Milan was created in 1995 through a joint venture with Ospedale San Raffaele (a private, nonprofit hospital).

In recent years, the Telethon Foundation has established partnerships with pharmaceutical companies and biotech companies; these agreements were created to promote collaboration with the industry towards the translational development of research lines carried out by the Telethon institutes (TIGET in Milan and TIGEM in Naples). The goals set by these partnerships aim at the ultimate clinical development and registration of therapies in order to make them available to all patients in need. Concerning areas of research/action and their international impact, currently 50 % of funds support translational research projects. In terms of genetic diseases, Telethon-funded research is internationally recognised as having contributed significantly to the global advancement of research on genetic diseases in the last 24 years. In particular, in the field of ex vivo cell therapy, the Telethon Institute for Gene Therapy in Milan has established a leading role in the international arena with three successfully completed trials (Ada-Scid, metachromatic leukodystrophy and Wiskott Aldrich syndrome) and its forefront research on lentiviral vectors. With regard to institutional alliances, Telethon's involvement in international alliances is increasing over time and provides strong opportunities for networking and collaborations.

The transparent management of funds and careful control of expenses are applied to fulfill their promises to patients and for continued support from donors. All funding decisions are subject to peer-review and evaluation by an international Scientific Committee and by ad-hoc review panels. All financial reports by the Telethon Foundation are published yearly on the foundation's website. All policies and official positions released by the Telethon Foundation are also published on the foundation's website. Telethon appears particularly innovative in its relationship with stakeholders. Telethon's mission in fact includes the involvement of patients and their associations in the fight against hereditary diseases.

## The Ri.MED Foundation

Established in 2006, the Ri.MED Foundation is probably the most important foundation in southern Italy, whose aim is promoting, supporting and carrying out research leading to innovation in clinical practice in the fields of biotechnology, regenerative medicine, new drugs and vaccines, new-generation medical devices, and therapies for brain disorders. Ri.MED also aims to foster economic well-being by creating jobs and business opportunities at a local, national and international level. Based in Palermo, Sicily, the Ri.MED Foundation is an international partnership, whose members include the Italian government, the Sicilian regional government, Italy's National Research Council (CNR), the University of Pittsburgh and the University Of Pittsburgh Medical Center (UPMC). Biotechnology is one of the world's fastest growing industries, and Ri.MED will help advance the biotechnology industry in Sicily and beyond through its Biomedical Research and Biotechnology Center (BRBC). BRBC is the first phase of a wider plan for a campus that could potentially include a medical school and a hospital. The Ri.MED Foundation's BRBC will help affirm a central role for Italy and Sicily in the development of new medical therapies, biomedical products and devices, and diagnostic tests. It will also improve life expectancy and quality of life for the citizens of Italy and the world, and enhance Italy's position in the international scientific community. Italian researchers are famous the world over, and in a number of fields – from pure science to mathematics to the social sciences. Its biotech research centre will help Italy to retain some of its best medical and scientific talents and attract some of the world's top researchers to Palermo. Unfortunately, we were not able to gain more information through a direct interview with the executives of the Foundation. Nevertheless, we decided that it was important to provide information about a Foundation from the few that provided a balance sheet report and practise transparency policies, particularly because it involves southern Italian organisations and researchers.

## The European Genetic Foundation

Another Foundation that we selected, and where we conducted an initial interview with the Founder, Professor Giovanni Romeo, did not produce the documents or the further integration that we required. It is a matter of fact, however, that this Foundation, which used to be extremely active in innovative research, since the strong impact of the economic and financial crisis is no longer operating. EFG was a nonprofit organisation founded in 1995 by a group of researchers who were involved in the activities of the European School of Genetic Medicine. The European School of Genetic Medicine was set up in Sestri Levante (Genova, Italy) in 1988 by Professor Victor A. McKusick (Baltimore, USA) and Professor Giovanni Romeo (University of Bologna). The EGF originally found its natural location in Ronzano at the CUEM (Euro Mediterranean University Center), a wonderful landscape with peaceful surroundings in the hills of Bologna. Over the last decade, thanks to the quality of its projects and its credibility, EGF has been awarded several grants of over EUR 10 million both by the European Commission and by national institutions. EGF coordinates projects in research, knowledge transfer and the development of Information and Communication Technologies (ICT). Thanks to these funds, EGF has managed to provide more than 700 fellowships to graduate and post-graduate students and to launch a series of projects aimed at transferring knowledge to the countries of the southern Mediterranean rim. The difficulty generated by the economic crisis represented a serious limit to the expansion of the foundation, particularly concerning their project of building new structures in Ronzano, which demanded a large investment of funds and resources. The plans for building the structure are still valid, but need new investors.

Finally we would like to add a brief description of three more foundations which are involved in innovative strategies:

**Fondazione Cenci Bolognetti – Istituto Pasteur** is a nonprofit foundation that was established thanks to a generous gift from Princess Beatrice Fiorenza Cenci Bolognetti. The Foundation has belonged to the Institute Pasteur International Network since 1970 and is proud to have a long tradition of excellence in biological research and in particular in the field of biotechnology. Since the 1980s, large training programs and several initiatives aiming to promote science in society have supported scientific research activities.

**Fondazione Farmacogenomica FiorGen** was founded in 2003, with the purpose of scientific progress, cultural development and social solidarity. The Foundation is a special case study since it is based on the collaboration between different institutional subjects, such as the Centre for Magnetic Resonance (CERM) at the Scientific Polo of Sesto Fiorentino, the Biomedical Polo Careggi (both University centres of Florence), the Chamber of Commerce, Industry and Handicrafts of Florence and the Ente Cassa di Risparmio di Firenze (Bank). The Foundation promotes studies whose aim is to exploit the knowledge of the structure of the human genome in order to identify targets for more effective therapies, new indicators of disease and responses to drugs, and to develop innovative drug therapies which are designed to take into account the genetic diversity of individual patients.

# 4 Innovative Examples

Due to the asymmetric and uneven configuration of research and innovation foundations in Italy, it is difficult to draw an overall map of the entire landscape. We were forced to work by focusing on a few relevant examples which fulfilled the criteria indicated by the research guidelines.

A relevant example in this respect is The Monza and Brianza Foundation per la mamma e il suo bambino (for mother and child) MBMB, which is particularly interesting and relevant because of its innovative configuration and activities. It should be taken into consideration despite the fact that it was not possible to collect detailed information through direct interviews, since it is one of the few research and innovation institutions in our country in which the criteria of challenging performances and transparency are at play. The Foundation is active in several fields of biomedical research, and assistance in pediatric diseases. Haematological diseases represent the framework of its excellence both in research as well as in assistance. The Foundation includes a department of pediatric onco-hematology, a unit for bone marrow transplantation, a day hospital for thalassemia, as well as a very advanced service for psychosocial support. Its innovation policies and programs attract the interest of pharmaceutical companies, as well as of national research bodies in terms of funding and research implementation. All their infrastructure is located at the San Gerardo Hospital in Monza (near Milano), which is an outstanding institution in cancer therapy, particularly concerning pediatric diseases. The legal framework and institutional configuration is based on a reciprocal autonomy and strong collaboration and integration between public entities (the hospital and university) and not-for profit/private bodies (including Comitato Maria Letizia Verga and Tettamanti foundation). The core of the Foundation's activities is, along with research and cures, the care of young patients and their families through the support of civil society and volunteers. The rationale for the Foundation's activities is 'horizontal solidarity', their proximity to people in need based on a strict collaboration between the private-public sectors and on economic and financial autonomy. The Foundation was created in 1979 by the Comitato Maria Letizia Verga for the study and cure of pediatric leukaemia, which includes researchers, medical doctors, parents and families in order to reach the best cure solutions and the best quality of life. The Centro di Ricerca Matilde Tettamanti's research centre collaborates with The Azienda Ospedaliera San Gerardo di Monza, which represents the fourth public hospital for research activities in Lombardia, in strict collaboration with the Facoltà di Medicina e Chirurgia Università Milano Bicocca.

A general consideration that might explain why our research should focus on individual examples, rather than on the description of a general and coherent landscape, is that in order to have a larger and more articulated picture of research and innovation in Italy, we should also have included research institutes that are not foundations, but research centres or associations with different sizes and scopes, and which develop cooperation with public and private bodies, as well as universities. We should not forget that the diffuse nature of institutions named as 'foundations' in several fields of activities – not only research and innovation – is a quite recent phenomenon in Italy, and the legislation, as mentioned previously, is far from

being completely formed or defined. It should be stressed, however, that in the last ten years there have been a few foundations such as COTEC that, without directly developing research and innovation projects, produce reports, organise conferences about technology transfer, and contribute to enhancing the collaboration between private and public bodies including medium-sized and small companies and universities.

During our survey, we looked at the role of two important institutions, at least at the level of advanced research in technology, as well as the dissemination of results: the creation and the activities of the Italian Institute of Technology (IIT), located in Genova, and the recent development of activities in the field of R&D by a small number of bank origin foundations.

The IIT is a network of departments at the Central Research Laboratories in Genoa in the fields of advanced robotics, drug discovery, and the development of nanophysics, neuroscience and brain technologies, as well as Network Centres such as the Centre for Neuroscience and Cognitive Sciences, the Centre for Genomic Science, or the Centre for NanoScience and Technology. Despite a clear picture and concise report of its activities and scientific publications, its six-year report did not give any information about funding. It is actually a very concise report, 20 pages long, including pictures, for six years of activities. It is a matter of fact that, from the point of view of funding, the Institute's creation was the matter of some debate because it was creation based on the 'transplant' of the endowment of the IRI Foundation, which has since been dissolved. We should also remember that the Institute has been the subject of ongoing criticism about its lack of transparency for several years after its creation. Nowadays, the Institute seems to have reached a maturity and has impact in terms of innovative research as well as technology transfer. However, we were not able to measure this transformation. In fact, it was not possible at all to evaluate the changing patterns of the Institute, since despite several attempts to contact them (phone calls, messages), there was no possibility of either gaining the required information or of obtain an interview.

# 5 Conclusions

## 5.1 Main conclusions

The quantitative analysis revealed that despite the good number of foundations listed in our study, most of them did not cooperate in a detailed inquiry because of the lack of a well-structured database or of transparency policies. Moreover, we were concerned by the impossibility of creating a clear picture of the field of analysis, which would allow a comparison between old roots and new outcomes. A crucial, but to some extent ambivalent, example is the role of the Ministry of Education and Research (MIUR) in activating research and innovation, which is basically very promising, but in practice does not allow an in-depth quantitative study. Another important example is the creation of bank origin foundations, with their large-scale financial potential in contrast with the low income of most of the R&I foundations listed in our study.

## 5.2 The strengths and weakness of the R&I foundation sector in Italy

Despite a few emerging cases of ‘good practice’ in supporting research in the technology and biomedical fields, bank origin foundations represent a very asymmetrical and uneven institutional framework, frequently and recently characterised by scandals (the most recent concerns one of the biggest Italian foundations, the Monte dei Paschi di Siena) as well as by the fact that practically no foundations directly promote innovative research.

Moreover, their institutional ambivalence between the statutory definition of private entities and their ‘practical’ behaviour as public agencies, which frequently deals or interacts with political issues and local or regional public powers, has produced an increasing level of criticism. Some examples, among many others, are: an article published on 24 October 2011, and the clear statements by the economist Tito Boeri, published in one of the most important Italian newspapers ‘La Repubblica’ on 25 January 2013. For more detail on the juridical consequences of the behaviour of bank origin foundations and their configuration, based on a substantial lack of transparency, there is the illuminating essay by Simona Siani, published in the professional journal, ‘MAGISTRA’ in 2002.

Nevertheless, we should consider that quite recently a large debate within the ACRI ASSOCIAZIONE CASSE DI RISPARMIO, which was focused on technological transfer, led to an attempt to change the landscape in terms of the central issues that are at the core of foundations’ policies. From this debate and a large inquiry initiated by three researchers from the University of Bologna, technological transfer has represented since 2008 the core of a strategy to promote research as a key issue in bank origin foundations’ main mission and aims. The inquiry involved 12 foundations, 9 large-scale and 3 middle-sized, with a total of 56 % of the entire bank origin foundation system, specifically devoted to supporting research activities, and involving venture capital funds such as TT Venture, Toscana Innovation and Principia. Their aim is the

creation of new companies with high-level performance in technological innovation. In the abovementioned case, the participation of bank origin foundations is over 50 %. This new model of engagement implies the growing role of bank origin foundations in the market of 'Seed Capital and Early Stage', with an involvement which also implies the mobilisation of foundations' endowments. This orientation is new, but the technique of granting is quite traditional: the main practices are support for instrumental bodies – 29 % of granting and 17 % to non-instrumental agencies based on the 'old' practice of donations and public calls. The main sectors of activity are 'Istituzioni di trasferimento tecnologico (TT)' (TT institutions); 'parchi tecnologici, incubatori, acceleratori d'impresa' (technological parks, incubators, businesses accelerators and attractors); resource allocators; and grants to applied research.

The TT institutions are principally engaged in the development and application of new technologies or products, having their own facilities and researchers that work synergistically with businesses and universities. Examples include: the Istituto Superiore Mario Boella, and the companies Nesting, Renew and Siena Biotech TINNOVA, DemoCenter-Sipe, CESECA, and the Centre for Regenerative Medicine 'Stefano Ferrari'. The technological parks, incubators, businesses accelerators and attractors have as their main activity providing high-tech enterprises with scientific facilities and services (information, advice or brokerage) to facilitate and accelerate development. Examples are Toscana Life Sciences, Sitcam-Emas, Veneto Nanotech Start-Cube, and Fondazione Filarete. The resource allocators have as their main activity providing high-tech enterprises with financial resources either through investments in capital or through grants. Examples are: Ager, Lagrange, Start-Cup Veneto, Biofund and venture capital funds.

We should also point out that the grantees within the framework of the new policies of bank origin foundations are still traditional recipients: universities and public research centres with a strong concern for applied research to be disseminated and integrated within companies. One of the recipients is the the Icom laboratory at the Centro Interdipartimentale Grandi Strumenti fellowship program Ismett. The main recommendation in order to evaluate this process within the framework of the exponential increase in the creation of foundations in Italy, as stated by the most recent ISTS census, we need a disarticulation and in-depth analysis of the data concerning foundations within this large-scale survey.

### 5.3 Recommendations

The conclusions and recommendation of our report are mainly based on the evaluation of the recurrent asymmetry, not to say ambivalence, which concerns, apart from the few exceptions listed in the in-depth analysis, the main part of Italian foundations which focus their mission on research and innovation including in recent times bank origin foundations: the main recommendation is the need to close the gap between the 'old' juridical and institutional framework, in which a lack of transparency and pluralistic participation is still in evidence, and the new impetus towards innovation, in which the old practices in terms of grantmaking procedures still prevail.

Another recommendation is, with a few exceptions, the necessity to overcome the lack of or the limited development of foundations which directly are engaged in research as major or exclusive actors, without an intermediary in the public sector (MIUR) or in the private sector (bank origin foundations).

Old wine in new bottles? Or even according to the classical dictum '*le mort continue to saisir le vif?*'



Latvia Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Zinta Miezaine

Research and  
innovation



# **Latvia Country Report**

EUFORI Study

**Zinta Miezaine**

Independent researcher



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# 1 Contextual Background

## 1.1 Historical background

Private foundations are a recent development in Latvia. Some traditions of philanthropy and patronage in Latvia already existed prior to the Second World War, although there are very few studies on the history of philanthropy on this territory. Culture and education were the main areas that were supported by patrons such as Augusts Dombrovskis and Kristaps Morbergs during the pre-war period. <sup>[1]</sup>

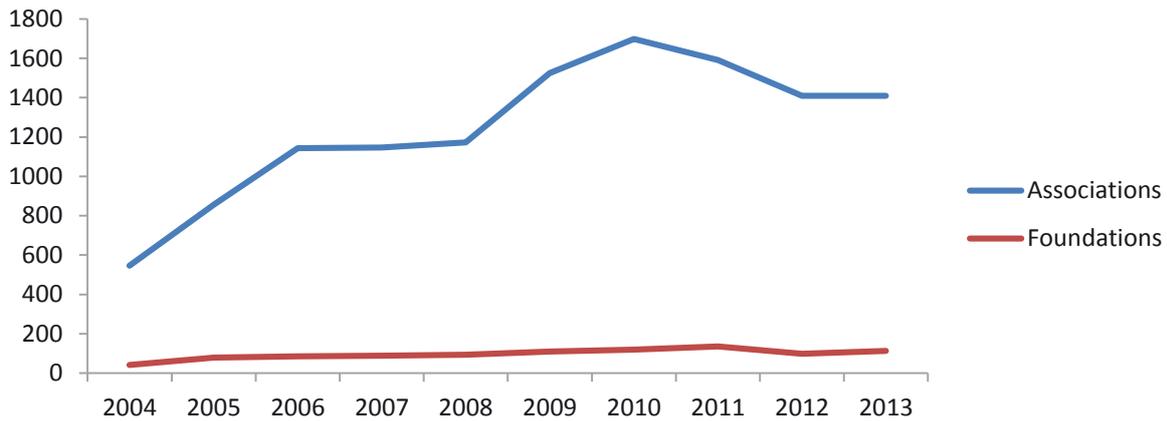
After the Second World War, Latvia was a part of the planned economy regime of the Soviet Union. The State was in charge of almost every aspect of people's lives, and accordingly there was no space for private philanthropy. Science remained in the Academy of Sciences, and in universities and scientific institutes, as well as in the relevant military and industrial areas. Financing was secured by the government. Gorbachev's era brought about some civic activism, and non-governmental organisations were allowed to exist. Two non-governmental foundations were formed at that time – the Latvian Culture Foundation and the Latvian Children's Fund, which initially were financed by government subsidies.

Growth of these new foundations started after Latvia regained its independence in 1991. Non-governmental organisations were permitted, and, furthermore, policies were developed to support their formation. Part of this policy was the promotion of philanthropy – developing tax incentives for businesses and people who donated to NGOs working for the public good. Until 2004, no legal status was stipulated for foundations by Latvian legislation and the existing ones had to register as associations or as nonprofit limited liability companies. For example, the Latvian Culture Foundation was registered as an association, the Soros Foundation, as a nonprofit limited liability company. New laws regulating the activities of associations and foundations, as well as the Law on Public Benefit Organizations, were passed in 2003. In accordance with the data from the State Enterprise Register, the registration of new NGOs after this reform increased, as shown in Figure 1.

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1 LU mecenātu un fonda vēsture (2014). Accessed 12 February 2014 from <http://www.fonds.lv/par/skaitli-un-fakti/>

**Figure 1: The dynamics of the registration of associations and foundations**



Source: homepage of the State Enterprise Register, <http://www.ur.gov.lv/statistika.html?a=1132>

The data show that foundations form a small part of the NGO sector. Research shows that foundations are usually treated as a part of a wider sector – non-governmental organisations, and so far there have been almost no studies devoted specifically to the foundations in Latvia. There could be several reasons for this: firstly, private foundations are viewed as a part (admittedly significant) of the growing civic activism which is the main focus of the research. Secondly, the activities of foundations as well as associations are regulated by the same laws and regulations. A third reason is that many operating foundations work on the borderline between two legal forms of NGO. These two legal forms are not always clearly distinguishable. Although the law <sup>[2]</sup> provides for a distinction between an association (an organisation established by its members to achieve a common aim) and a foundation (an organisation established by a founder allocating resources to achieve a particular aim), it does not set a minimum amount in terms of resources. It may well be that the initial resource base for a foundation is only a computer or a working space. Therefore, when deciding on the legal status of the NGO to be established, the main choice lies with another aspect of the organisation's life – having (associations) or not having (foundations) members and the consequences of this for the organisation's decision-making processes.

## 1.2 The legal and fiscal framework

The nonprofit sector currently is regulated by the Law on Associations and Foundations <sup>[3]</sup> and the Law on Public Benefit Organizations (2003). The work environment of non-governmental organisations in Latvia could generally be considered as favourable – the legal framework is quite advanced and legally there are no obstacles to the freedom of association in Latvia. The registration process is fast (2 weeks) and inexpensive (EUR 11.38). An organisation can be registered by submitting documents in person, by post or electronically.

The Associations and Foundations Law (2003) contains a set of provisions governing the internal organisation of an NGO. It must be emphasised that most of these provisions are either dispositive, i.e. they contain a reservation such as 'insofar as the charter of the association does not provide otherwise,' or minimal rules, allowing the NGOs to enter stricter requirements in their charters.

2 Associations and Foundations Law 2003 (Lv.).

3 Id.

No permanent auditor or board of auditors is required; these functions may be carried out by the executive board alone. It must be noted that the minimum number of persons required to establish an NGO is two. Besides these requirements, an NGO is free to set up other governing bodies in its charter and to establish its internal organisational structure as it wishes.

Whenever an NGO is created, its charter has to be registered with the Company Register in order for an NGO to attain legal status. Section 57 of the Associations and Foundations Law provides for the possibility to dissolve an NGO by a court order, and lists the situations when this is allowed. However, basically, it is possible only in cases when 'the activities of the NGO' are contrary to the Constitution or the law.

Associations, foundations and religious organisations do not pay income tax. They can also apply for public benefit status, which is granted by the State Revenue Service based on the recommendation of the Public Benefit Committee. The Committee consists of both Government and NGO representatives and encompasses the specialists representing almost all areas of NGO activities.

The accounts of the public benefit organisations are examined annually by the Public Benefit Committee to ensure that the donated amounts are spent in accordance with the law and whether there are no conflicts of interest in decision making. There is a limit of 25% of the donated amounts to be used for administrative purposes.

However, there is a heavy tax burden on the employees of NGOs. Voluntary work is a new concept in Latvia and there have even been attempts to tax it (in accordance with some interpretations of the Labour Law) by the State Revenue Service.

In organisations other than associations and foundations volunteering is not defined – for example in hospitals, local governments and schools. As a result, the reimbursement of expenses and other necessary economic support provided to volunteers is not regulated. Other laws regulating labour, tax and social security can be interpreted in a way that a voluntary organisation should pay at least the minimum wage to a volunteer, adding all the applicable taxes onto the reimbursement of a volunteer's expenses. This causes conflict between the authorities and non-governmental organisations involving volunteers, as well as posing the risk of illegal employment.

The social protection of volunteers is not regulated by legislation. Therefore, there are no legal grounds for volunteer insurance or entitlement to public health and social protection. This causes problems for foreign volunteers, who have to obtain residence permits in order to receive the minimum healthcare services. Latvian citizens volunteering abroad lose their rights to unemployment benefit in Latvia. There is no specific provision regarding volunteers in immigration legislation, and they are therefore subject to general legislation. <sup>[4]</sup>

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4 Legal Status of Volunteers: Country Report Latvia. (2003). Accessed 12 July 2013 from: [http://www.cev.be/data/File/Latvia\\_legalstatus.pdf](http://www.cev.be/data/File/Latvia_legalstatus.pdf)

Public benefit organisations (PBOs) enjoy tax benefits – enterprises and private individuals can deduct their income tax if they donate to PBOs. Companies can donate up to 10 % of their profits to NGOs which have public benefit status, and then get 85 % of the donated amount back as a rebate from the State Revenue Service. Traditionally, the most supported areas by corporate donors are sports, culture and charity. There is a lack of support for organisations promoting values related to the environment, human rights, civil society development, social integration or anti-corruption, science and education. <sup>[5]</sup>

Individuals can also deduct the amounts donated to public benefit organisations from their basic income tax. Individuals who donate to public benefit organisations can deduct the donated amount from the income tax they pay into the State budget themselves (income tax is 24 % in Latvia in 2014). Therefore they receive a return of 24 % of the donated amount from the State Revenue Service during the following year after their donation. Up until 2009 the declaration process was complicated and it was used only by 6 % of residents. The State Revenue Service has improved this system, but at the same time the revenue paid by the people had dropped drastically and, as a result, they donate less. Nonetheless, charity rallies and events are very successful and people are actively donating small amounts for social issues without even applying for tax deduction. Again, this is not the case for supporting research and innovation. <sup>[6]</sup>

In order to achieve their aims, NGOs are allowed to engage in economic activities which can either be related or unrelated to their purpose, as stated in each respective NGO's charter. The law stipulates that economic activity has to constitute a minor part of an NGO's activities; however, it has not been stated how the proportion of economic activity is to be measured.

Local governments can offer premises free of charge, as well as donate property (e.g. PCs, etc.) to public benefit organisations. This privilege is not available for other legal entities, which can acquire these local government properties in auctions.

All NGOs can claim permission to provide tax exemption scholarships. In this case an organisation should comply with the Scholarship Regulations, which are examined by the Ministry of Finance and the Ministry of Science and Education, and subsequently approved by the Cabinet of Ministers.

NGOs have to pay all the taxes for employees in accordance with tax legislation and the labour laws, just like all the other legal entities. Generally, the legal environment is favourable for the establishment and maintenance of foundations in a variety of areas, including those supporting research and innovation.

At the same time, there are also legal provisions that set limits on the activities of foundations if they benefit from tax deduction related to the status of a public benefit organisation. The Public Benefit Organisation Law<sup>[7]</sup> states that a public benefit activity is an activity which provides a significant benefit to society

5 Indriksons, M. (2009). Labdarības barometrs '09. Accessed 12 July 2013 from: <http://www.sif.lv/images/files/EEZ-Norvegija/NVOF-1-4/2008-NVOF1-3-1-12-J-03/2008-NVOF1-3-1-12-J-03-2009-labd-barometrs.pdf>

6 Indriksons, M. (2009). Labdarības barometrs '09. Accessed 14 July 2013 from: <http://www.sif.lv/images/files/EEZ-Norvegija/NVOF-1-4/2008-NVOF1-3-1-12-J-03/2008-NVOF1-3-1-12-J-03-2009-labd-barometrs.pdf>

7 Public Benefit Organisation Law 2003 (Lv.).

or a part thereof, especially if it is directed towards charitable activities – education, science, culture and the promotion of health and disease prevention, especially for low-income and socially disadvantaged people. This clause tends to be interpreted by the Public Benefit Commission in such a way that all other areas are also subject to the test whether the socially disadvantaged groups benefit from the respective activities or not, including those related to science, health and education. [8]

The Law also sets limitations on activities not considered to benefit the public; if the activity of an NGO is directed only towards the benefit of its members or founders and the people associated with them, in other words, if an NGO is established and maintained for the satisfaction of private interests and needs, it is not considered to be eligible for public benefit status. A public benefit organisation uses its income for activities of a non-commercial nature, which are aimed at including public benefit activities as defined by legislation. Any donated property or financial resources cannot be transferred by the NGO for the commercial or profit-oriented activities of another organisation. For example, if a company donates medical equipment to a foundation, it cannot transfer it to a hospital for the commercially-oriented treatment of patients.

The Law also provides for strict rules preventing possible conflicts of interest. A public benefit organisation is prohibited from dividing its property and financial assets between the founders, members of the boards of directors or other administrative institutions (if they are established), as well as from utilising them so that either directly or indirectly some kind of benefit is obtained (guarantees, loans, promissory notes, as well as other material benefits). These provisions also apply to the spouses, the kin and the affined, counting kin as up to the second degree and the affined as up to the first degree, of the founders, members of the boards of directors or other administrative institutions (if they are established) of the public benefit organisation.

To sum up, the Law sets favourable conditions for the establishment and operation of foundations. At the same time, if a foundation benefits from generous tax deductions, it should comply with the strict conditions limiting its activities. The supported activities should not have a commercial character, no commercial organisations can benefit from a foundation's activities, and they should not support individuals pursuing their own private commercial goals.

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8 Interviews with the government officials and representatives of foundations.

## 1.3 The foundation landscape

Data from the Republic of Latvia Enterprise Register suggests that by 11 December 2013 <sup>[9]</sup> there were 21 934 NGOs registered, of which 20 405 were associations and 1529 foundations. In accordance with previous research <sup>[10]</sup> not all the registered NGOs are still active – only those submitting annual reports to the State Revenue Service are considered to be still operating and contributing to public life. This research suggests that 10 to 15 % of the registered NGOs have dissolved in practice but have not informed the Enterprise Register.

More detailed data on the NGO sector are available regarding the situation in 2009. <sup>[11]</sup> They suggest that the income of both associations and foundations together constituted LVL 173.3 million, which is EUR 246 million or 0.15 % of the GDP in 2009. The income of public benefit organisations was LVL 73.2 million, or EUR 104.2 million. The average income of a public benefit NGO in 2009 was LVL 65 867, or EUR 93 036.

135 NGOs are registered as having the purpose of promoting education and science. Most of them, 75 %, are located in Riga. These NGOs include adult and youth training centres, as well as the foundations supporting particular schools. Few support science or other related activities in terms of the current study. ‘Education and Science’ is a category listed by the Enterprise Register encompassing these areas in one; therefore, even if an NGO has indicated that they belong to this category, it may turn out that in reality it pursues only education-related goals.

There is no research available regarding the capacity of foundations in Latvia; however, the general characteristics of NGOs suggest that 30 % of NGOs (and 43 % of public benefit organisations (PBOs)) work regularly, 2 5% of NGOs (28 % of PBOs) work several days a week and 45 % of NGOs (29 % of PBOs) work as necessary, or when they have obtained funding for projects. <sup>[12]</sup>

237 NGOs were reported as providing intermediary financial services. The statistics, however, only reflect that the founders of these organisations planned to pursue this kind of activity. In practice, again, only a few act as foundations in the sense of this study. <sup>[13]</sup>

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9 Statistics of Registers. Enterprise Register of the Republic of Latvia. Accessed 16 April 2014 from: <http://www.ur.gov.lv/?a=1091>

10 Pārskats par NVO sektoru Latvijā (2011). Accessed 9 January 2014 from: [http://www.sif.lv/files/pics/Atbalsttie\\_projekti/EEZ\\_Norv\\_fin\\_instr/BISS-NVO\\_sektors\\_BISS\\_27\\_04\\_final.pdf](http://www.sif.lv/files/pics/Atbalsttie_projekti/EEZ_Norv_fin_instr/BISS-NVO_sektors_BISS_27_04_final.pdf)

11 Id.

12 Pārskats par NVO sektoru Latvijā (2011). Accessed 9 January 2014 from: [http://www.sif.lv/files/pics/Atbalsttie\\_projekti/EEZ\\_Norv\\_fin\\_instr/BISS-NVO\\_sektors\\_BISS\\_27\\_04\\_final.pdf](http://www.sif.lv/files/pics/Atbalsttie_projekti/EEZ_Norv_fin_instr/BISS-NVO_sektors_BISS_27_04_final.pdf)

13 The following analysis of the foundation sector is based on the researcher’s observations serving on the Public Benefit Committee (2005 – 2011)

## Foundations affiliated to non- profit institutions

Foundations 'serving' non-profit institutions (universities, schools) play the role of resource mobilisation for their 'mother' institution. The founders are usually involved in decision making. In some instances these foundations are publicly visible and open to project ideas from the public. However, in some instances a foundation may have legal status, but no separate office-space, publicly available contact information, webpage and/or personnel. This legal status is used by founders to trace the financing of certain projects back to an institution if a donor is interested in receiving tax benefits for their donation. These foundations have no proactive strategies, and they are used from case to case only if there is a need to trace the financing back to their 'mother institution.' On the other hand, there are also several publicly visible foundations, such as the University of Latvia Foundation, that have comparatively independent identities and reputations.

## Corporate foundations

The situation is different with the foundations established by private companies. The rationale of establishing a foundation is usually related to the corporate social responsibility goals of the founder. In these cases the administration of the foundation tends to be separate from that of the founder. Public Benefit Organisation Law prevents companies from supporting research and innovation projects that could yield benefits for these companies.

Hospitals are regarded as business entities in Latvia – they are registered as public corporations. Foundations established by hospitals are not allowed to support their founders under the Public Benefit Organisation Law; therefore their activities are focused on benefiting the patients and society at large. Hospital foundations can support research and innovation as long as the beneficiary is the foundation, not the hospital or medical doctors. In cases of research resulting in a patent, this has to belong to the foundation, just like any other results and benefits. Therefore, foundations affiliated to hospitals tend to support research and innovation-related activities.

Several commercial banks have created their own foundations for project support. Traditionally this support is extended to culture or the needs of socially vulnerable groups and related to the publicity efforts of the donors. One exception is the AB.LV foundation, which maintains grant programs to support fundraising as well as travel grants for NGOs to participate in international networking events and conferences. One of the foundations – *Rietumu bankas labdarības fonds* – claims that, among other areas, they also support science, but in practice it has no public benefit status in that area and the public record shows that no projects supporting research were ever financed. <sup>[14]</sup>

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14 Rietumu bankas labdarības fonds. Accessed 16 April 2014 from: <http://www.rblf.lv/projects>

## Private donor driven foundations

There are few visible private foundations not affiliated to institutions – the Soros Foundation Latvia – is the largest. There are also a few Latvian-funded foundations. The Soros Foundation Latvia has lately been concentrating on large-scale operational programs, involving project partners –schools, local governments, crisis centres and some NGOs. Its current priority is to address the socio-economic consequences of the economic crisis. Initially, in the 1990s it also supported research-related activities, but this is not the case anymore. *Vītoli fonds* – the largest private foundation of Latvian origin supports solely individuals – students from socially vulnerable families. *Borisa un Ināras Teterevu fonds* is another well-known private foundation supporting a variety of projects, including those related to culture, education and charity.

## Community foundations

Several community foundations have been created and actively operate in Latvia – in Talsi, Lielvārde, Alūksne, Ape, Madona, Valmiera, Liepāja and Tirza. They involve societies in local community development and are able to accumulate resources for small-scale project competitions focusing on local needs.

## Public foundations

Two public foundations have been established in Latvia – the Society Integration Foundation and the Culture Capital Foundation of Latvia. They support research sporadically as a part of larger projects – for example where a needs assessment or an evaluation of some process is necessary to promote societal integration or cultural policies.

## Issue-driven foundations

Several private foundations have been established to support particular causes. Currently the largest of these is ziedot.lv, which pools its resources to support a variety of charitable projects such as assistance in crisis situations and other causes.<sup>[15]</sup> The Latvian Fund for Nature,<sup>[16]</sup> the Latvian Education Foundation<sup>[17]</sup> and the Latvian Children's Fund<sup>[18]</sup> are also foundations belonging to this category.

## Umbrella organisations

Most foundations work individually; there are no umbrella organisations representing their interests. One exception is the Community Foundation Movement. This aims at supporting the capacity of community foundations and promoting philanthropy and public involvement in the regions of Latvia.<sup>[19]</sup>

Most of the issues related to the development of the NGO sector were addressed by the NGO Centre until the end of 2004. Subsequently, this function was adopted by the Civic Alliance Latvia, which is an

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15 Foundation Ziedot.lv. Accessed 16 April 2014 from: <http://www.ziedot.lv/en/info/about-ziedot-lv>

16 Latvian Fund for Nature. Accessed 16 April 2014 from: [http://www.lfn.lv/pub/?doc\\_id=27928](http://www.lfn.lv/pub/?doc_id=27928)

17 Latvijas Izglītības fonds. Accessed 16 April 2014 from: <http://izglitibasfonds.lv/lv/par-mums>

18 Latvian Children's Fund. Accessed 16 April 2014 from: <http://www.lbf.lv/lang/en/>

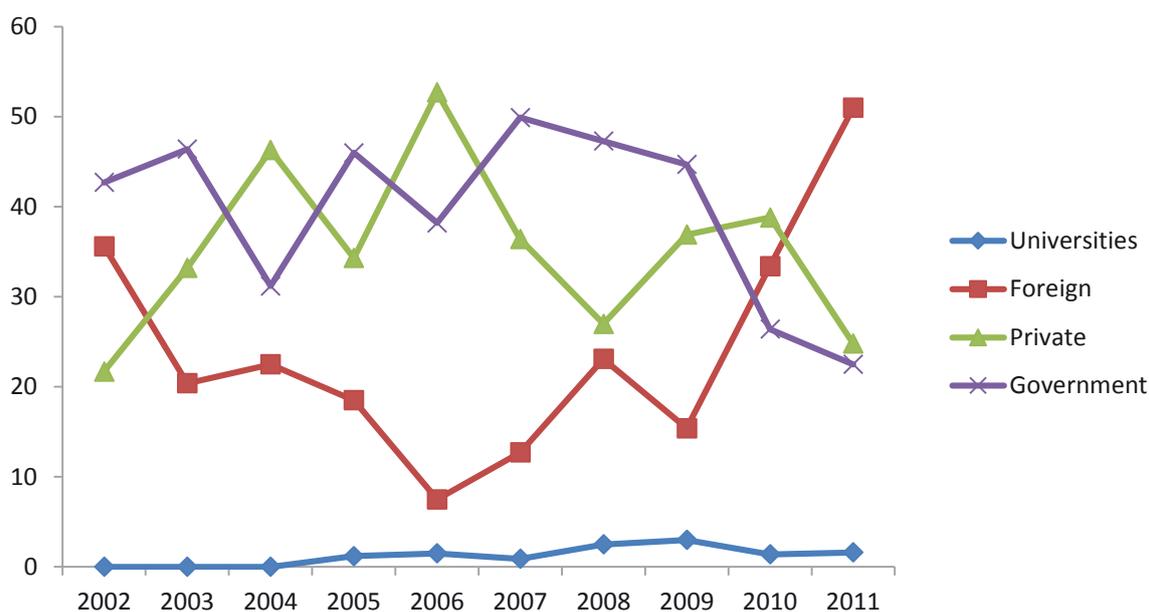
19 Movement of Community Foundations. Accessed 16 April 2014 from: <http://www.kopienufondi.lv/article/2>

umbrella organisation for around 140 members, including foundations. <sup>[20]</sup> However, specific issues regarding private foundations have so far not been on the agenda of the Alliance. It mainly works to achieve a transparent government funding system for NGOs and is instrumental for those foundations which rely on public funding. <sup>[21]</sup>

## 1.4 Research/innovation funding in Latvia

According to the data of the Central Statistical Bureau, financing for research constituted 0.66 % of the GDP or LVL 102.2 million, or EUR 145.4 million in 2012. Science and research is funded by the business sector (LVL 23.1 million, or EUR 32.9 million), and the government (LVL 27.7 million, or EUR 39.4 million). Foreign funding constitutes (LVL 51.5 million, EUR 73.3 million).

**Figure 2: The dynamics of funding for science and education (% of investments).** <sup>[22]</sup>



The above graph suggests that there has been a significant drop in government funding (the purple line) since 2006 and in business sector funding (the green line) since 2007, as well as a dramatic increase in foreign funding (the red line) since 2006. A small amount of university funding has appeared since 2005, although not exceeding 1.6 % in 2011. There is no information regarding funding from private foundations in the data made available by the Ministry of Education and Science or in the data from the Central Statistical Bureau.

20 Civic Alliance Latvia. Accessed 16 April 2014 from: <http://nvo.lv/lv/news/page/elpa-biedri-84/>

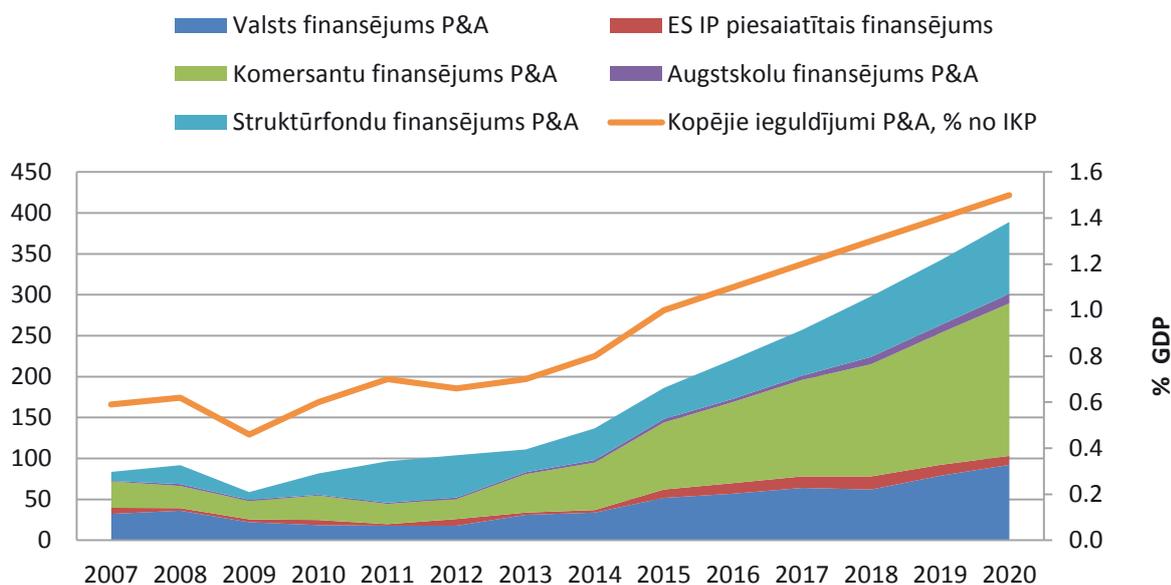
21 Interviews with the government officials and representatives of foundations.

22 Guidelines for development of Science, Technologies and Innovation 2014 -2020. Accessed 16 April 2014 from: <http://www.mk.gov.lv/lv/mk/tap/?dateFrom=2012-12-16&dateTo=2013-12-16&text=zin%C4%81tnes&org=0&area=0&type=209>

Regarding innovations, Latvia is ranked alongside Bulgaria and Romania as a ‘Modest innovator’ with an innovation performance well below that of the EU average. [23]

The main policy goal of the Latvian government [24] is to develop the branches of science, technology and innovation as globally competitive sectors of the Latvian economy. The policy guidelines for the period 2014 – 2020 outline activities and plans for both investing State budget funding and the co-financing of EU-funded projects in the following areas: 1) the development of human resources; 2) the development of infrastructure for research; 3) fostering cooperation between the private sector, universities and science; 4) promoting a full cycle of innovations and 5) technology transfer and commercialisation.

**Figure 3: Planned changes in the financing structure.** [25]



The financial target is to reach 1.5 % of the GDP in 2020 by steadily increasing the shares of government and private funding.

23 Innovation Union Scoreboard 2013. Accessed 16 April 2014 from: [http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index_en.htm)

24 Guidelines for the Development of Science, Technology and Innovation 2014 – 2020. Accessed 16 April 2014 from: [http://www.mk.gov.lv/lv/mk/tap/?dateFrom=2013- Pamatnostādņu projekts "Zinātnes, tehnoloģijas attīstības un inovācijas pamatnostādnes 2014.–2020.gadam" 04-12&dateTo=2014-04-12&text=Zin%C4%81tnes%2C+tehnolo%C4%A3ijas+att%C4%ABst%C4%ABbas+un+inov%C4%81cijas+pamatnost%C4%81dnes&org=0&area=0&type=0](http://www.mk.gov.lv/lv/mk/tap/?dateFrom=2013- Pamatnostādņu projekts )

25 Guidelines for the Development of Science, Technologies and Innovation 2014 – 2020. Accessed 16 April 2014 from: [http://www.mk.gov.lv/lv/mk/tap/?dateFrom=2013- Pamatnostādņu projekts "Zinātnes, tehnoloģijas attīstības un inovācijas pamatnostādnes 2014.–2020.gadam" 04-12&dateTo=2014-04-12&text=Zin%C4%81tnes%2C+tehnolo%C4%A3ijas+att%C4%ABst%C4%ABbas+un+inov%C4%81cijas+pamatnost%C4%81dnes&org=0&area=0&type=0](http://www.mk.gov.lv/lv/mk/tap/?dateFrom=2013- Pamatnostādņu projekts )

The main players in implementing these guidelines are government institutions, businesses, scientific institutes, universities and supporting institutions such as banks, investment funds and service organisations. The guidelines also assign some roles to NGOs, mostly associations of the organisations listed above, namely consulting government institutions during decision-making stages, working to promote the wider society's understanding of science, as well as communicating achievements in science and innovation. The guidelines do not mention private foundations as an existing or potential source of investment in science.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

Out of the registered 1 104 public benefit foundations, 30 claimed public benefit status for activities in science in December of 2012. The Register of Public Benefit Organizations provides an overview of the foundations working in the following areas – 17 in the protection of human rights, 24 in the promotion of education, 18 in civil society development; 26 in the improvement of social welfare, two in disease prevention, 25 in the promotion of a healthy lifestyle, 19 in environmental protection – a total of 161. <sup>[26]</sup> A part of these were considered as supporting research and innovation (R&I). The researcher examined the publicly available accounts of the foundations listed above and created a list of 38 NGOs which had reported activities supporting R&I in 2010 or 2011. This group had to include all the possible R&I supporting private foundations. It turned out that eight of them had supported R&I and they were also included in the sample. The contact details for all the organisations in the sample were clarified as necessary. Two private foundations which had not claimed public benefit status were also found to support universities and hospitals, but the publicly available information showed that in practice they did not support research and innovation projects. <sup>[27]</sup>

## 2.2 The survey

The questionnaire for the survey was sent out twice to all the 38 foundations selected for the sample. The first e-mail was sent out on 18 April 2014. The second e-mail went out on 13 May 1 2014. Both invitations were accompanied by a letter of endorsement from the European Foundation Centre. Out of the 38 foundations indicating support for science on the PBO register, 13 filled in the questionnaire; two of them supported only research, one supported only innovation, and six supported both. Four stated that they supported neither. Eight foundations provided the relevant information. Out of these, five are operating foundations and one is a grantmaking foundation. Two foundations both run programs and distribute grants.

When the researcher examined the reasons for not participating in the survey, the answers were as follows – no activities at all in the foundation, no activities supporting R&I in 2012, no financial support for R&I projects or no interest in participating in the survey.

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26 Register of Public Benefit Organisations Accessed 16 April 2014 from: [http://www6.vid.gov.lv/VID\\_PDB/SLO](http://www6.vid.gov.lv/VID_PDB/SLO)

27 Paudze, Pētera Avena labdarības fonds, Accessed 16 April 2014 from: <http://www.generation.lv/lv/fonds/par-fondu-Borisa-un-Ināras-Teterevu-fonds>. Accessed 16 April 2014 from: <http://www.teterevfond.org/en/work-foundation>

## 2.3 The interviews

The preliminary research and the gathered quantitative data suggested that foundations supporting research and innovation are a small part of the emerging sector of foundations in Latvia. The data are almost too scarce to allow for an analysis of any trends. The existing information suggests a variety of funding, operations, resource gathering, administrative structures and principles of fund distribution.

Providing that foundations were established to serve particular needs, the focus was on the demand side; whereas in terms of financing science and innovation, there was a need for funds on the supply side, as well as other means of financing for science and innovation. In order to gain an insight into the apparently poor development of the private foundations supporting science and innovation, the following interviews were conducted:

- The Academy of Science, Ojārs Spārītis, President, Founder of a ‘Science Foundation.’
- The Ministry of Education and Science, Armands Plāte, Deputy Director of the Department of Science and Innovations.
- The Ministry of Finance, Irita Lukšo, Head of the Department of Tax Application, Adviser to the Head of the Public Benefit Committee.
- The Latvian University Foundation, Laila Kundziņa, Executive Director of a grantgiving foundation affiliated to a university.
- *Borisa un Ināras Teterevu fonds*, Mareks Indriksons, Executive director of a private grantgiving foundation without public benefit status, Former Director of a foundation affiliated to a commercial bank, former member of the Public Benefit Committee.

# 3 Results

## 3.1 Types of foundation

Out of the 38 organisations which have been granted public benefit status for supporting science, 11 are established as associations (NGOs based on membership) and 29 as foundations. All the associations in this group work as operating project organisations. All of them implement research as a supporting activity to their main aims; education, environmental protection, human rights protection, health or social assistance. Three associations are affiliated to hospitals, and one to a university. One association also took part in the survey.

Only two foundations had applied for public benefit status solely for science – *Inovāciju atbalsta fonds* (the Innovation Support Foundation) founded in December 2011, and *Nodibinājums eksakto pētījumu un tehnoloģiju atbalstam* (the Foundation for the Development of Natural Sciences and Technologies) founded in 2010. Neither agreed to participate in the survey. *Zinātnes fonds* (the Science Foundation) joined this group in December 2013. Moreover, two other foundations were established indicating their willingness to support innovation and research; the Baltic Foundation for Innovation and *Eksperimentālās un minimāli invazīvās ķirurģijas zinātniski pētnieciskais centrs* (the Scientific Centre for Experimental and Minimum Invasive Surgery) in 2013. <sup>[28]</sup>

Other areas of foundations' support/activities other than science are education, health, the environment, culture, charity and sports. The grantgiving and operating foundations are mainly affiliated to institutions promoting other areas of public benefit; universities (11) and hospitals (5).

The survey results reveal that out of 13 respondents two support research, one supports innovation, six foundations support both research and innovation and four reported that they did not support any of these activities in 2012. Eight foundations gave reasonable data, and out of these five were operating, one was grantmaking and two foundations were pursuing both activities.

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28 Enterprise Register. Accessed 16 April 2014 from: [http://company.lursoft.lv/abc\\_list/n/o?o=120](http://company.lursoft.lv/abc_list/n/o?o=120)

The 'oldest' foundation was established in 1990, and the 'youngest' in 2010. One organisation, registered in 2004, continues the traditions of a foundation established in 1925. One supports solely research and innovation, four foundations devote more than 50 % of their expenditure to R&I, and two less than 50 %. Six foundations indicated an interest in the results of the EUFORI Study. The quantitative results of this study in Latvia are not representative, although they provide an impression regarding the size and scope of the income and expenditure of foundations in Latvia, as well as demonstrating the variety of their organisational structure.

### **Example of a grantmaking foundation <sup>[29]</sup>**

The University of Latvia Foundation was registered in 2004. It is an acknowledged philanthropic organisation aimed at supporting outstanding, diligent (including the disadvantaged) Bachelor's, Master's and Doctoral students, teachers, scientists, as well as outstanding professionals in education, science and culture in cooperation with philanthropists and partners willing to support education. The history of the Foundation started in 1925 when philanthropist Kristaps Morbergs (1844-1928) made a will donating his real estate to the University of Latvia. His example was followed by other philanthropists.

Only one foundation works to solely support research (75 %) and innovation (25 %). Four foundations stated that R&I is important, but not the only area of their support.

## **3.2 Origins of funds**

### **3.2.1 Financial founders**

The data from the survey suggest a variety of founders establishing foundations. Out of nine, four were founded solely by a private individual or a family; in one case the founders included a private individual, a for-profit corporation and a university; in one case only a profit-oriented corporation; in one case a profit-oriented corporation, a university, a public sector founder and several scientists, entrepreneurs and innovators; in one case the foundation was established by individuals – healthcare specialists; and in one case the founder was a university.

The 'composition' of the foundations in the sample reflects the variety of foundations supporting research and innovation in Latvia, namely affiliation to a university, affiliation to a hospital or affiliation to a profit-oriented company. Several should be regarded as 'project organizations,' established to implement projects attracting funding from a variety of sources, including participation in European Union Programs.

### **3.2.2 Income**

The survey and other available information suggest that the annual income of a foundation supporting R&I is lower than 1.000.000 Euros.

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29 University of Latvia Foundation. Retrieved April 16, 2014, from <http://www.fonds.lv/par/skaitli-un-fakti/>

**Table 1: Foundations' income**

Income	
Number of foundations	8
Mean in Euros	206 874
Median in Euros	89 697
Total income in Euros	1 654 994

0-100 000 Euros – four foundations

100 000-1 000 000 Euros – four foundations

The examples below show two foundations and their annual income in 2011 and 2012, which corresponds to the data revealed by the survey.

### Examples of income

*Latvijas Dabas fonds* (The Latvian Fund for Nature)\*

The largest operating environmental foundation in Latvia, established in 1990, a project-oriented organisation. It participates in EU programs, government funded programs, and implementing research and education projects. Reported turnover – LVL 149 294, or EUR 104 892 in 2011 and LVL 106 888 LVL, or EUR 75 121 in 2012. <sup>[30]</sup>

*Inovāciju atbalsta fonds* (The Innovation Support Fund)\*

One of the public benefit foundations supporting solely science, established in December 2011, a grantgiving organisation which supports research projects. The founder is also a partner in an investment fund financing innovation. Reported turnover – LVL 133 049, or EUR 93 506 in 2011 and LVL 99 340, or EUR 69 816 in 2012. <sup>[31]</sup> \*The organisation did not participate in the survey in the current report.

### Endowments

Endowments are a recent development in Latvia. One exception is the University of Latvia Foundation, which has secured one as a tradition from 1939, the historic year of its establishment. Several other foundations have started to develop endowments – for example, the community foundations which were inspired and supported by the Baltic American Partnership Program (a Program of the Soros Foundation Latvia) and the AB Foundation (an affiliate to a commercial bank). Another popular foundation having an endowment is *Vītolu fonds* (the Vītolu Foundation), which receives investments mainly from expatriate Latvians from countries with strong traditions of philanthropy. <sup>[32]</sup>

30 Latvijas dabas fonds. Accessed 16 April 2014 from: <https://www.lursoft.lv/uznemuma-pamatdati/latvijas-dabas-fonds>

31 Inovāciju atbalsta fonds. Accessed 16 April 2014 from: <https://www.lursoft.lv/uznemuma-pamatdati/inovaciju-atbalsta-fonds>

32 Interviews with overnment officials and representatives of foundations.

Two foundations reported income from an endowment in the survey. In one case, it was combined with all the other origins of resources mentioned in the survey, and in the other case income from an endowment was combined with donations from individuals and corporations.

In the first case the single origin of the endowment is a donation of money from the initial founder. In the second case it is a combination of income from the initial founder, a property, a will and the proceeds from privatisation. In one case its expenditure is at the discretion of the trustees, in the other the maintenance is combined with occasional spending at the discretion of the trustees.

### **Example of endowment management \***

The endowment of the University of Latvia Foundation constitutes USD 7 million (EUR 5 046 136). This endowment pools the resources of various patrons, often former students of the University of Latvia, mostly of foreign origin. The resources are invested in various financial areas such as bonds, deposits and securities. and only the interest earned is distributed within various programs in accordance with the preferences of the donor. <sup>[33]</sup> All the contributors to the endowment are listed and honoured on the homepage of the Foundation. <sup>[34]</sup>

\*This organisation participated in the survey of the current report

Both foundations with endowments have the 'longest' history in Latvia, and both support education and science.

### **Donations from individuals, corporations and non-profit organisations**

As discussed previously, legislation provides for generous tax deductions for corporations donating to public benefit organisations in Latvia. Individuals are also encouraged to donate. At the same time, the Law restricts the use of donated money, which encourages donations for research and innovation-related activities, but at the same time discourages R&I projects.

Five foundations reported donations from individuals as their source of income. In all cases this income was combined with other sources. The foundations reported EUR 84 168 of income from individual donations in 2012, ranging from EUR 1 580 to EUR 31 796 to one foundation.

Four foundations reported donations from profit-oriented corporations. The total amount reported was EUR 106 724, ranging from EUR 575 to EUR 95 216. None of the foundations rely solely on corporate donations. One foundation has had no success in fundraising at all, so their reported income was zero in 2012.

Individual and corporate donations are used for different purposes depending on the type or particular activity of each respective foundation. Grantgiving foundations use their funds to finance R&I-related ac-

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33 Id.

34 Latvian University Fund. Accessed 16 April 2014 from: <http://www.fonds.lv/mecenati/>

tivities; travel grants, scholarships, organising scientific conferences, praising excellence in research and/or innovation, establishing laboratories or auditoriums and communicating the results of research. Operating foundations implementing projects use the share provided by private donors to constitute the necessary co-financing for larger EU and government funded projects <sup>[35]</sup>.

When asked about the motivations of individuals and families for donating their income to foundations, a representative of one grantgiving public benefit foundation shared her observation that the leading philanthropists of the respective foundation are Americans of Latvian origin, and that US tax policy encourages bequests to public benefit purposes instead of leaving large savings to their children. <sup>[36]</sup>

One private grantgiving foundation established by a family and without public benefit status had two basic considerations which shaped their decision to reject proposals to support research projects so far. First of all, the particular project ideas were commercial and in this respect the role of the foundation would be regarded more as that of an investment fund. Secondly, in order to evaluate a research project in a specific area there is a need for expert knowledge which the foundation does not possess. <sup>[37]</sup>

### **Income from the government**

Government funding is usually one of the operating foundations' main sources of income making up the necessary co-funding for larger, EU-funded projects. For example, the Latvian Environmental Protection Fund in the Ministry of Environmental Protection and Regional Development runs project competitions for NGOs. Therefore, private foundations can apply for funding and implement government-funded projects. Sometimes a foundation wins the right to redistribute government funds for particular purposes – for example scholarships or grants. <sup>[38]</sup>

### **Example of diversified income, including funding from the government**

The DVIETE Project was implemented by two operating public benefit foundations promoting science; the Latvian Fund for Nature and the Institute of Environmental Solutions.

The aim of the project: The development of a methodology for the classification and modelling of a habitat suitable for Corncrake based on hyperspectral remote sensing.

Financing partners: the EU LIFE program, the Latvian Environmental Protection Fund (a government institution), ARK (a foundation based in the Netherlands) and ELM Media (a film production company).

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35 Interviews with the government officials and representatives of foundations.

36 Id.

37 Id.

38 Interviews with the government officials and representatives of foundations Id.

Five organisations answering the survey declared income from the government (EU funding included). This constituted a total of EUR 349 493, ranging from EUR 2 155 to EUR 162 855 per foundation. In one case the government representative was a member of the Governing Board. This is an organisation established by a local government, a university and a business entity to pool resources for the implementation of science-intensive projects. There are no cases where the government representatives are members of the Supervisory Board. Four organisations have never distributed government funds. One organisation reports that sometimes it distributes government funding.

Regarding the perception of the government's influence on the foundations' decision making, two organisations responded that there was no influence or that it was minimal (zero and one out of ten); one said it was moderate (five); and one argued that the government's influence was an everyday practice, but without any explanation of its purpose or intended effect.

The interviewed foundation's representatives argue that there was no influence by government officials in decision making regarding resource gathering or allocation. The only influence is the Law, and in some cases the interpretation of the Law by officers from the State Revenue Service and/or Ministry of Finance. The stability of the legal framework was mentioned as a factor promoting the work of foundations. <sup>[39]</sup>

### **Service fees, sales, etc.**

As discussed previously, foundations and associations are allowed to generate income by providing services and pursuing certain commercial activities provided that these do not assume the role of the organisation's main activities. If a public benefit organisation generates this kind of income, at least 75 % of it should go on public benefit activities, and no more than 25 % can be used for administrative purposes.

Three foundations reported an income from service fees in the survey. The total reported amount was EUR 134 354 ranging from EUR 1 721 to EUR 123 563. One foundation also mentioned EUR 1825 income from other sources, which was not clarified in greater detail.

The interviews suggest that income from economic activities is not a common practice of grantmaking foundations. An exception in some cases is renting out real estate. This income is used to finance their grant programs. Operating foundations, on the other hand, may offer the services of their experts as researchers or the use of technologies they have developed or possess to the government or business organisations, thus generating income to fund their projects. <sup>[40]</sup>

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39 Id.

40 Interviews with the government officials and representatives of foundations.

## 3.3 Assets

**Table 2: Foundations' assets**

Assets	
Number of foundations	8
Mean in Euros	1 106 6334
Median in Euros	73 695
Total expenditure in Euros	8 853 065

0-100 000 Euros – four foundations.

100 000-1 000 000 Euros – three foundations.

1 000 000-10 000 000 – one foundation.

Most of the foundations participating in the current survey were established in the period between 2004 and 2010. Consequently, they do not possess large assets and most of them are aimed at either the implementation of current projects or applying for new ones. One exception is two foundations having endowments. In one case a foundation had spent 9 % relative to its assets and another 62 % in 2012.

## 3.4 Expenditure

**Table 3: Foundations' expenditure**

Expenditure	
Number of foundations	7
Mean in Euros	179 414
Median in Euros	46 282
Total expenditure in Euros	1 255 901

0-100 000 Euros – four foundations.

100 000-1 000 000 Euros – three foundations.

Only one organisation reported that its entire expenditure is directed toward supporting research and innovation; an operating foundation providing funds for the development of cost-intensive high technology solutions in physics. It participates in a variety of EU-supported international projects and was founded by various stakeholders including the Academy of Science and the local authorities.

Three foundations dedicate more than 50 % of their expenditure to R&I. The other areas of they support are education, health and environmental protection. Two foundations have spent less than 50 % on R&I. Other areas of their support are education and the preservation of cultural heritage.

### 3.4.1 Total expenditure

**Table 4: Foundations' expenditure by category**

Expenditure by category	Euro
Research	354 936
Innovation	95 166
Other	2 630
Unknown	793 169
<b>Total expenditure</b>	<b>1 255 901</b>

Seven foundations provided information regarding their expenditures – the total amount quoted by these foundations was EUR 1 255 901. Six foundations reported their expenditure according to category. The amount spent on research is EUR 354 936, ranging from EUR 0 to EUR 247 737 per foundation. The amount spent on innovation is EUR 95 166, ranging from EUR 0 to EUR 82 579 per foundation. EUR 12 630 was spent on other activities. Altogether, Latvian foundations spent EUR 450 102 on R&I, ranging from EUR 0 to EUR 330 316 per foundation in 2012.

The activities they support include grants for outstanding researchers in various fields of science, the promotion of the research results, participation in scientific conferences, as well as the implementation of science-intensive projects (operating foundations).

### 3.4.2 Research

The interviews suggest that there are obstacles against financing research. Firstly, if a public benefit foundation supports a researcher, in most cases this can be considered as pursuing his/her private commercial goals. <sup>[41]</sup>

As discussed previously, the foundations supporting research and/or innovation usually support these activities within the framework of another public benefit area such as education, the environment, health, social welfare or culture. In most areas, the subjects implementing research can be non-profit entities in order for the foundation to be allowed to fund these activities.

One exception is health. If research is related to health issues, the institution conducting it is usually a hospital – a commercial organisation in Latvia. Subsequently, a foundation is not allowed to transfer financing or pass on the results of any research to that particular hospital. These results have to be publicly available. If a pharmaceutical company wants to donate towards the implementation of a health-related research, it may benefit from the results of the research; therefore foundations also hesitate from engaging in this kind of partnership. <sup>[42]</sup>

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41 Interviews with the government officials and representatives of foundations.

42 Id.

Out of the 38 organisations invited to participate in the research, one foundation is affiliated to the pharmaceutical company AS 'Grindeks' fonds 'Zinātnes un izglītības atbalstam' (the 'Grindex' Ltd. foundation 'Support for Science and Education'). It works for the promotion of science and education. Among other things, this foundation supports competitions for new researchers and praises teachers whose students have won Chemistry or Physics Olympiads, but it hesitates from supporting direct or applied research or innovations. <sup>[43]</sup>

### Basic research versus applied research.

Eight foundations answered this question on their profile. Three foundations claimed that they support only applied research, one only basic research, with three foundations supporting both. Six foundations also submitted their figures. It followed that they had spent EUR 2769 on basic research and EUR 315 353 on applied research. EUR 130 996 had been spent on direct research and EUR 223 940 to support research-related activities. These figures say little about the overall tendencies, but can give insight into the annual expenditure on a specific area.

Foundations' policies vary – some claimed that they support only or mainly direct research, and some spent most of their expenditure on research-related activities (20 to 80 %).

The foundations reported that they had spent EUR 228 787 on grants and EUR 123 380 on their own operating projects.

### Innovation

Innovation is also mainly supported in the areas of public benefit, except health, because of the reasons quoted above. As for innovation, five foundations who answered the respective questions had spent EUR 206 201 on grants and EUR 117 734 on proactive projects. Two foundations reported that they spend 100 % of the money earmarked for innovation solely on their own projects. One foundation supports innovation mainly through grant programs.

### 3.4.3 Changes in expenditure

Three foundations reported that their expenditure decreased in comparison with that in 2011. In one case the decrease was significant – by 90 %, and it had stopped support for R&I projects in 2012. The same foundation forecast this poor performance to continue into the following year. In two cases the decrease was insignificant – 9 to 30 %. In one case the situation was the same as in 2011. In two cases their income had increased by 12 % and 45 %.

Two foundations planned an increase in expenditure in 2013. Two expected the same amount of expenditure, and two were pessimistic and planned a decrease in 2013. Both of the latter have no endowments, and they do not expect to be successful at fundraising.

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43 AS 'Grindeks' fonds 'Zinātnes un izglītības atbalstam.' Accessed 16 April 2014 from: <http://www.grindeks.lv/lv/par-grindeks/korporativa-sociala-atbildiba/as-grindeks-fonds-zinatnes-un-izglitibas-atbalstam>

An analysis of the results and expert interviews suggests that small operating project organisations that depend only on EU projects are the most vulnerable. The organisations with a diverse income base are more optimistic. An endowment and well-developed donor relations also give a sense of stability and a positive future outlook. <sup>[44]</sup>

## 3.5 Focus of support

### 3.5.1 Beneficiaries

Only two foundations specified their beneficiaries and the percentage of their support for each group. One of them, a grantgiving foundation, supports mostly individuals (85 % of their expenditure) and public higher education institutions. The beneficiaries of the other, an operating foundation, are mostly government and non-profit organisations (40 % and 40 %), 5 % goes to a private higher education institution, 5 % to research institutes and 2 0% to business entities.

### 3.5.2 Research areas

Six foundations specified the research areas they support:

One foundation supports natural sciences and one medical sciences only. Four foundations have diverse support areas. The combinations of these are as follows:

- Natural and social sciences.
- Natural, engineering, agricultural and social sciences.
- Social sciences and the humanities.
- Natural, engineering, medical and social sciences, and the humanities.

No changes to this support areas are planned.

In practice, two foundations are affiliated to universities. One works closely with a university, supporting its students, professors and laboratories. The other supports education and science-related activities at all higher education institutions on a competitive basis. One foundation works on a specific medical issue related to sterilisation technology. Three other foundations are operating 'project' organisations. One is working to develop innovative solutions in environmental protection, the other in the development of resource-intensive technologies, and the third is an organisation working to preserve cultural heritage.

### 3.5.3 Research-related activities

Four foundations provided information regarding support for research-related activities. Each of them mentioned several activities. The transfer of technology and the dissemination of research are supported by three foundations. Two foundations also support activities related to the categories of research mobility and career development, infrastructure, equipment and civic mobilisation, and advocacy. Only two foundations specified the amounts spent on these activities, and in 2012 they exceeded EUR 1 000 in only the transfer of technology transfer, with EUR 3662.

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44 Interviews with the government officials and representatives of foundations.

## 3.6 The geographical dimensions of activities

### 3.6.1 Geographical focus

Six foundations defined themselves in geographical terms.

One foundation considered itself 100 % regional and two identified themselves as being 100 % national. Two foundations were 30 % and one foundation 80 % on a European level. One foundation considered itself 90 % international and one foundation 10 % international.

### 3.6.2 The role of the European Union

Seven foundations provided their opinion regarding the best ways the European Union could contribute to supporting their work. Seven foundations mentioned collaboration in projects as their main input, six foundations argued for the provision of fiscal facilities, five mentioned a framework for collaboration. Three foundations thought that it is important for the EU to evaluate projects, and two saw the potential for EU investment in databases and in awareness raising. The provision of a legal framework was mentioned once. One foundation argued that the EU should widen access to finance consortiums which are managed by representatives from Central and Eastern European Countries.

### 3.6.3 Contribution to European integration

The foundations thought that they contribute to European integration in terms of research issues (six answers,) educational issues (five), social issues (two) and cultural issues (two), although not revealing what exactly they meant by that. One foundation claimed that it enhanced the implementation of the INSPIRE Directive and free access to GIS Data. This Directive obliges national governments to generate and share geospatial information for public and commercial use.

## 3.7 Foundations' operations and practices

### 3.7.1 The management of foundations

The decision-making practices reported by the foundations revealed that annual strategies are usually defined by the board. Boards can be either elected or appointed. In some instances foundations also have a Scientific Advisory Board.

Only two foundations reported having paid staff. In one case four people were employed, and in another nine.

This can be explained by the fact that the other foundations were affiliated to other institutions which undertake the administrative burdens of the foundations' management – a project coordinator, manager and bookkeeper are employees of the 'mother' organisation, a university or a hospital. For small operating foundations the bookkeeping tends to be outsourced, but the roles of project manager and manager of the organisation can be assumed by the researchers on a voluntary basis. <sup>[45]</sup>

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45 Interviews with the government officials and representatives of foundations.

All of the eight foundations who responded this question have a governing board consisting of two to five members, and none of the foundations had established a supervisory board.

There was also a variety of models for approving the foundations' annual strategies. In four cases this task is delegated to a governing board; out of those, two foundations appoint their own board members and in two cases they are elected. In two cases strategic decisions are made by the original founder and the governing board consisting of appointed members. In one case the strategy is approved by the founder, in one case by the elected governing board and the general assembly of the foundation, and in one case by the appointed governing board jointly with the foundation's scientific advisory board.

### **3.7.2 How do grantmaking foundations support research?**

The three grantmaking foundations that responded to this question apply a mix of strategies to receive project proposals. They all preferred organising proactive project competitions, but they would still also accept the initiatives of grantees without an active competition framework. Foundations have coherent principles in place to request the evidence of how the allocated grants have been spent by the grantees. All of them implement evaluations of their programs. All the foundations are also involved to a great extent in the implementation of projects. There are no strict policies regarding supporting an organisation either only once or on a long-term basis. One exception is a foundation which prefers long-term cooperation with a grantee.

### **3.7.3 Engagement in partnerships**

Four foundations reported having joint activities. Out of these no cooperation with other foundations or hospitals was mentioned. All cooperated with universities and research institutes. One foundation cooperates with governments and other non-profit organisations, and three cooperate with private companies.

The reasons mentioned for cooperation were pooling money (four times); two foundations mentioned both expanding activities and economy of scale. In only one case the reason for cooperation was the pooling of expertise and/or infrastructure.

### **Example of an organisation pooling resources**

*'Tehnoloģiju attīstības forums'* (The Forum for Technological Development, formerly the Foundation for Technological Development) was established in 2004. The founders were public and private institutions wishing to promote the knowledge-based economy in Latvia; the Academy of Sciences, Ventspils University, the Institute of Physical Energy, Jelgava City Council, the Institute of Mathematics and Informatics, and several individuals: scientists and specialists in the promotion of innovation. The mission of the Forum is to promote the development of high technology and innovations in accordance with national and EU policy documents, and to promote the implementation of innovation and the development of high technology in sectors with a high added value in order to develop the potential for the sustainable development of the economy in Latvia.

The association has participated in the following EU programs: *Phare 2002*, *Phare 2003*, Interreg IIIC, ESF *EQUAL*, ESF, Norway and EEA grants and eContent. <sup>[46]</sup>

## 3.8 Roles and motivations

### 3.8.1 Roles

Seven foundations answered the question regarding their roles in the context of other supporters of R&I projects. One foundation never assumes a complementary or substituting role, two never assume initiating roles and two never assume competitive roles. Two foundations always assume a competitive position. Four foundations stated that they often assume a substituting role. Three foundations responded that they always assume a complementary role.

The range of answers reflects the various types of perception pertaining to the governmental and non-governmental sectors. If the founders assume that the responsibility for financing research and innovation projects lies with the government and/or, for example, families of the students, they would mark their roles as being complementary and substituting. On the other hand, those who believe in private initiative and the market economy would employ more initiating and competitive strategies. <sup>[47]</sup>

### 3.8.2 Motivations

The interviews, the survey data and an analysis of the publicly available information all reveal that research and innovation are not typical areas of support for private foundations. Public benefit grantgiving foundations mostly concentrate on research and innovation-related activities, promoting the education of scientists, conferences, travel grants, and the communication of research.

#### Example of a foundation aimed at supporting R&I activities

The Science Foundation was founded in 2013 by the Latvian Academy of Sciences to accumulate resources to promote and financially support the scientific and academic work of scientists and students; to provide financial support for organising scientific conferences; to ensure the preparation and publishing of books and scientific literature; to address social issues that might hinder the work of scientists; and to ensure the implementation of the expectations of donors. <sup>[48]</sup>

Since research and innovation, especially in natural sciences, requires resource-intensive activities, they are mostly promoted by the government, EU programs and business investment. Private grantgiving foundations in Latvia so far lack the resources to develop an appropriate level of expertise to evaluate project proposals. <sup>[49]</sup>

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46 Forum for Technology Development. Accessed 16 April 2014 from: <http://www.rural-inclusion.eu/?q=lv/node/175>

47 Interviews with the government officials and representatives of foundations.

48 The Science Foundation. Accessed 16 April 2014 from: [http://www.lza.lv/index.php?option=com\\_content&task=view&id=1797&Itemid=47](http://www.lza.lv/index.php?option=com_content&task=view&id=1797&Itemid=47)

49 Interviews with the government officials and representatives of foundations.

The exceptions are university and hospital-affiliated foundations, as these institutions do have the expertise required for project evaluation. In practice, however, there is no record of these foundations supporting research or innovation projects. University-affiliated foundations mainly focus on promoting education and the development of infrastructure. A smaller proportion of their resources are dedicated to supporting research and/or innovation. The reasons are threefold – constraints caused by public benefit legislation, a lack of ‘brilliant ideas’ to support, and (so far) a lack of philanthropists willing to establish programs supporting science and/or innovation <sup>[50]</sup> Foundations affiliated to hospitals are even more restricted by public benefit policy. Even if medical doctors are willing to conduct research, and if there is also a donor – usually a pharmaceutical company – policy prohibits foundations from engaging in such partnerships, as this research is viewed as being conducted by commercial entities. <sup>[51]</sup>

Operating foundations are usually established and led by experts in specific fields and are competent at developing and implementing good quality projects. At the same time, in order to obtain EU or government funding there is a need for co-funding. Therefore, these organisations apply for public benefit status and accumulate donations from private partners – individuals, companies and other nonprofit organisations.

### **Example of an operating foundation established by scientists**

The Foundation for the Development of Natural Science and Technology was established in 2010. The goals of this foundation are to develop a professional and internationally recognised centre for applied innovations; to promote the development and introduction of modern technologies and their international recognition; to attract and support scientists, researchers and enthusiasts for the implementation of qualitative research; to organise financial, material, technical and human resources for research and design; to popularise the achievements of natural science, especially among students of schools and universities, thus promoting their interest to study natural science; to promote the technical, social and economic preconditions for the development and realisation of the creative potential of researchers; to promote the development of science policy regarding natural science; and to promote the forecasting of technical developments. <sup>[52]</sup>

This research did not reveal the existence of foundations driven by an issue that can be solved mainly by means of scientific research and/or innovation, yet which seems to be a motivating force for successful private foundations in other countries. Even if some foundations are created for causes such as fighting a disease, they are usually linked to a hospital and serve to the patients’ treatment and affordability of the services, as well as to promote the qualifications of the medical doctors. The development of new knowledge and approaches for fighting disease is rarely on their agenda. This research did not reveal any cases when a

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50 Id.

51 Id.

52 Nodibinājums ‘Eksakto pētījumu un tehnoloģiju attīstībai’ Accessed 16 April 2014 from: <https://www.lursoft.lv/uznemumapamatdati/nodibinajums-eksakto-petijumu-un-tehnologiju-attistibai>

foundation was created for the accumulation and distribution of funds to support research or innovation for solving a particular issue. <sup>[53]</sup>

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53 Interviews with the government officials and representatives of foundations.

# 4 Innovative Examples

Due to the small scale of the foundation sector, there are only a few foundations that stand out in terms of innovative examples.

Here we will give two examples demonstrating innovative projects supported by both types of foundation characteristic to Latvia – a grantgiving foundation working for the benefit of public education, and an operating foundation founded by scientists working to support natural science and the environment.

The first example shows how grants have supported the implementation of an idea that serves all the schoolchildren and teachers in Latvia and other countries in order to learn and teach theoretical concepts using comprehension. The Internet tool they use is interactive, and the resources are built by its users and monitored by volunteers.

The second example shows how an operational foundation developing science-intensive technology has pooled its resources and comes up with creative solutions for environmental protection.

Both examples were mentioned by the foundations participating in the current survey.

The Latvian Education Foundation has supported the elaboration of an innovative tool for learning. It provides a platform for sharing ideas on how students imagine theory can be put into practice; their visualisation of the subject matter. Comprehension is essential in almost any taught subject: science, mathematics, law and many others. The online portal is open for students to submit their ideas which contribute to understanding theoretical concepts, which in turn are reviewed by instructors and added to the online platform. Examples on how to comprehend theoretical concepts can be found in Latvian, Russian and English. <sup>[54]</sup> The website of the project is at: [www.goerudio.com](http://www.goerudio.com)

The Latvian Education Foundation is a grantgiving foundation established in 1990 by the University of Latvia, the Institute of Organic Synthesis, the publishing house 'Zinātne,' the Second Secondary school, the newspaper 'Izglītība,' the newspaper 'Kultūras avīze,' as well as two individuals Romans Vitkovskis and Ilgvars Forands. <sup>[55]</sup>

The Institute for Environmental Solutions in partnership with Riga Technical University created a unique flying hyperspectral laboratory in 2013. This is the Aircraft BN-2T-4S Defender made for aviation works with nine mutually integrated devices on board. They can gather data from a wide diapason of the electromagnetic spectrum – from 280 nm to 12 000 nm, a total of up to 721 spectral channels.

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54 Project Goerudio. Accessed 16 April 2014 from: <http://www.goerudio.com>

55 The Latvian Education Foundation. Accessed 16 April 2014 from: <http://izglitibasfonds.lv/lv/par-mums>

The flying laboratory gathers data containing manifold information for the analysis of various ecosystems (forests, meadows, lakes, wetlands etc.), the structure of their components, as well as their chemical structure, biomass and biological diversity. The information will serve to develop new products in forestry, water resource management, spatial planning etc.

So far, projects including the following have been implemented using the technology in various partnerships:

- Methodologies for herbaceous community identification and biomass volume measurement using laser scanning-derived aviation and hyperspectral data.
- The development of a methodology for the classification and modelling of habitats suitable for the corncrake based on hyperspectral remote sensing.
- A design for a methodology for counting seabirds using high-resolution digital aerial photos and thermal images.

The Institute for Environmental Solutions is a modern scientific organisation which uses current IT and aviation-based remote research to create knowledge and applicable solutions for the sensible and sustainable use of environmental and natural resources. Projects at this institute have pooled together leading young scientists from areas such as biology, chemistry, hydrology, the environment, physics, mathematics, computer science, spatial planning, forestry etc. Synergies of these sciences allow for finding creative and complex solutions and creating a foundation for innovation. The Institute assumes that an important part of research and innovation is international cooperation; therefore, one of the fundamental values of the Institute is openness. The team consists of scientists and practitioners from Latvia and other countries.<sup>[56]</sup>

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56 The Institute for Environmental Solutions. Accessed 16 April 2014 from: [http://www.videsinstituts.lv/?page\\_id=227&lang=en](http://www.videsinstituts.lv/?page_id=227&lang=en)

# 5 Conclusions

## 5.1 Main conclusions

The philanthropic tradition in Latvia is largely characterised by historic sentiments about the pre-war period and the new realities after Latvia regained its independence in 1991. The economic situation has not been favourable for most individuals to acquire wealth. At the same time, people are compassionate, and this can be observed in individual donations to people in need and other causes. So far science has not been among the most popular causes for support.

Since 2004, Latvian national legislation has set up favourable administrative and fiscal conditions for establishing foundations. However, if the donors want to benefit from generous tax deductions, there are limits that influence further decisions to support research and innovation. Tax deductions are not applicable if the donations bring about an income related to commercial interests of either companies or individuals.

The foundation sector supporting research and innovation initiatives is young, small and not yet significant in terms of overall R&I funding in Latvia. The main sources for R&I funding in Latvia are the State budget, EU programs, commercial banks and private investment funds. Sometimes the government and EU programs supporting research and innovation are channelled through commercial banks and investment funds.

Those few private foundations which do not have public benefit status, have so far not been interested in financing R&I intensive projects. One of the reasons for this is the lack of expertise needed for the informed and competent selection of projects to be supported.

The Register of Public Benefit Organisations suggests that fewer than 50 private public benefit organisations have expressed a willingness to fund science. <sup>[57]</sup> These are mainly either foundations affiliated to 'science intensive' institutions, such as universities and hospitals, or organisations established by scientists. Most of them have applied for and been granted public benefit status and succeed in supporting research and/or innovation indirectly, within the framework of related activities.

Public benefit grantgiving organisations mostly focus on research and innovation in public benefit areas such as education, culture, history, or in other words the humanities. They are hesitant about supporting resource intensive sciences such as natural science. The latter is supported by operating foundations established by scientists or their institutions.

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57 The Register of Public Benefit Organisations. Accessed 16 April 2014 from: [http://www6.vid.gov.lv/VID\\_PDB/SLO](http://www6.vid.gov.lv/VID_PDB/SLO)

This research did not reveal any foundations motivated by issues to be solved through research and/or innovation in Latvia. Issue-driven scientific institutes are usually State-run institutions or are affiliated to universities.

## 5.2 The strengths and weakness of the R&I foundation sector in Latvia

This research shows that the foundation sector is in its initial stage of development. Most of the organisations created to support science have a history of less than ten years. It is still too early to talk about an established R&I foundation sector. None of the organisations participating in the current survey, as well as others claiming their intention to support science when choosing the legal status of ‘foundation’ for their NGO, can claim to be important players in supporting science. Most foundations are created to serve the interests of scientific institutions (universities, hospitals) or groups of scientists ensuring they work in their area interest, or of groups of practitioners securing an opportunity to access the scientific knowledge necessary for their work. Some foundations are created by enthusiasts who are willing to promote science in general, or some of its branches.

At the same time, a variety of organisations working in this field have accumulated enough experience that could lead to growth to a point where publicly visible private foundations supporting science will contribute at least as much to the overall science budget as the universities (1.5 % of all investment in science in 2012).

### Strengths

Foundations in Latvia have implemented a variety of organisational and decision-making models. There are opportunities to learn from each other in this respect, even if the foundations work in different areas.

Foundations apply various fundraising strategies and funding sources. Two organisations have valuable experience in running endowments, thus ensuring financial sustainability.

Most foundations are open to the international context in their work. They are engaged in cooperative projects in international networks. Some foundations are successful in attracting funding from foreign private donors and patrons.

In providing a resource-intensive characteristic to their research and innovation projects, some foundations have found useful ways of pooling resources between various organisations and sectors.

### Opportunities

There is no competition in terms of starting an issue-driven grantgiving foundation in almost any area in Latvia. The legislation is favourable. An issue-driven grantgiving foundation would fall within the criteria of the Public Benefit Organisation Law.

The government's austerity measures have left many issues to be solved by society and, as a result, there is a pool of scientists and institutes looking for new opportunities.

There are many successful foundations promoting research and development in other European countries. Their experience is a useful resource yet to be explored.

## Weaknesses

The main weakness of the sector is a lack of foundations driven by issues to be solved through research and/or innovation.

The administrative capacity of foundations is low. Only two foundations participating in the current survey have permanent employees. Therefore almost all the operating foundations supporting science are 'invisible.' They work quietly and successfully on their projects.

Grantgiving foundations (although not all of them) are more visible; a few of them promote research and innovation and run programs supporting R&I-related activities.

The financial sustainability of foundations is also generally low, with the exception of those having endowments.

Although legislation allows for establishing testamentary foundations, none have yet been established in Latvia. The bequests to existing foundations are left mostly by US citizens as a consequence of US inheritance laws.

## Threats

The economic preconditions for fostering philanthropy are still unfavourable. Latvia is a small economy with a small industrial sector and a relatively poor society. Only 48 % of Latvians have any savings. A high number of people are subject to poverty risks and the middle class is almost non-existent. Strong traditions of philanthropy are not yet developed in society.

## 5.3 Recommendations

Foundations could consider organising an informal or formal association for pooling their resources to develop this sector in Latvia. The role of initiator and coordinator could be considered and assumed by the Science Foundation, which is affiliated to the Academy of Science.

This Association could be the place to share the best administrative and fundraising practices among the existing foundations. Another task of the Association would be to bring to Latvia the experience of successful foundations supporting R&I, and to demonstrate a variety of models from other European countries.

Foundations should increase the visibility of their efforts in promoting research and innovation.

In order to ensure the financial sustainability of existing foundations, it is advisable to consider establishing endowments.

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Lithuania Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Birutė Jatautaitė  
Eglė Vaidelytė

Research and  
innovation



# **Lithuania Country Report**

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**Birutė Jatautaitė**

Civic Responsibility Foundation

**Eglė Vaidelytė**

Kaunas University of Technology



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# 1 Contextual Background

## 1.1 Historical background

Philanthropy as a backstage for the foundation arena has deep roots in Lithuania, but has experienced a number of historical set-backs. Benevolent action in Lithuania, as well as all over the Europe, in its most basic historical meaning is related to the paradigm of Christianity. On the other hand, it could be assumed that the Church has not been as influential in Lithuania as in other Western countries, and there has been a strong focus on cultural aspects as well. Philanthropy in the Grand Duchy of Lithuania (7th/8th-18th centuries) emerged as a part of aristocratic culture and behaviour. Aristocracy put an emphasis not only on relieving social dysfunction but also on social development, and especially on cultural progress. It was compulsory to donate to the poor during the nobility's feasts, inaugurations and even funerals. Private aristocratic philanthropy mostly predominated and in some cases the aristocracy paid for the studies of talented youth.<sup>[1]</sup>

The 13th-15th centuries were also significant with the development of guilds and livery companies related to the Hanseatic League, and could be identified as the roots of contemporary foundations. Nevertheless, the Church also had some impact on research and development; for example in the 16th century the Jesuit order established the University of Vilnius, which became a source of cultural innovation in Lithuania. In the 18th century, during the decline of the Grand Duchy of Lithuania, there was the beginning of modern society, which gave us formal and informal social unions and associations. Philanthropy in Lithuania acquired modern and secular aspects, and foundations came into existence. The 19th century in Lithuania saw a period of Russian empirical occupation that prohibited any cultural development, and eventually there appeared a lot of secret national self-help organisations/foundations which focused on maintaining Lithuanian culture. The whole period leading up to WWI was very active for Lithuanian civil society and philanthropy; aid for the occupied nation took priority over aid for social needs, with a main focus on education.

After WWI Lithuania returned to the political map of Europe, and philanthropic missions to some extent was taken up by the government. Nevertheless, the number of foundations was growing rapidly and the field of philanthropic aid continued to consist of not only relief for social dysfunction, but also cultural development. For example, the Foundation of Christian Love, in its statute of 1924, declared among its main aims not only 'to build hospitals,' but also 'to build schools, libraries and bookstores.'<sup>[2]</sup> Thus, the traditions of private charity, personal help and foundations continued to be fairly strong in Lithuanian society. The development of foundations was disturbed by the Soviet occupation in 1940. After WWII, during the Soviet period, foundations did not exist at all as any private initiative was strictly prohibited by

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1 Vaidelyte E. Philanthropy in post-Communist Lithuania. Doctoral dissertation, 2006.

2 Journal of Lithuanian Christian Women's Association, 1924.

the regime. At that time there were some Lithuanian foundations abroad (USA, Australia) established by the Lithuanian refugee intelligentsia which focused on supporting Lithuanian culture, Lithuanian studies, etc. (for example the Lithuanian Foundation in the USA and the Australian Lithuanian Foundation). Some of these foundations are still very active nowadays.

The post-Soviet period was significant, with a growing number of NGOs in Lithuania. In 1994 there were 1 302 registered NGOs in Lithuania, and in 2012 the number of NGOs was over 24 000. <sup>[3]</sup> However, foundations make up a small part of the entire NGO pool. In 2012 there were registered 1 349 foundations in Lithuania (the Lithuanian Center of Registers, 2013). Nevertheless, most of the foundations are focused on reducing social dysfunction, increasing cultural potential, the empowerment of youth, women and other groups in society, solving health problems, promoting healthy lifestyles, supporting sports activities etc. Thus, R&I is mainly funded by several governmental foundations and agencies. The concept of 'Research and Development (R&D)' is often used in governmental discourse about research funding. The national government has a high impact on setting priorities for funding; up to now it has been the Ministries which are the governmental bodies that make decisions. The lack of private initiative in R&I funding in Lithuania could be explained by the specific situation that has arisen due to numerous historical issues, and which are discussed further in this study.

To sum up, the main feature of foundation's historical roots in Lithuania is the parallel of social and cultural aims that have existed over the centuries. Depending on the historical period, cultural aims have sometimes been given priority over social ones. Fifty years of Soviet occupation in Lithuania has resulted in a specific mentality and a strange approach towards science and innovation funding, as well as the economic situation that is discussed more in detail in the following chapters.

## 1.2 The legal and fiscal framework

The legal definition of foundations in Lithuania. According to the Law on Charity and Sponsorship Funds <sup>[4]</sup> 'A fund is a public legal person of limited civil liability having its own name and the objective of providing charity and/or sponsorship and other support, in accordance with the procedure laid down in the Law on Charity and Sponsorship Funds of the Republic of Lithuania (hereinafter referred to as the "Law on Charity and Sponsorship") and this Law, to legal and natural persons in the fields of science, culture, education, arts, religion, sports, health care, social care and assistance, environmental protection as well as in other fields recognised as selfless and beneficial to society. The name of the fund shall contain the words "charity" or "sponsorship" or "charity and sponsorship."'

The most important laws related to foundations in Lithuania are as follows: the Civil Code of the Republic of Lithuania, the Law on the Development of Non-governmental Organisations, the Law on Public Establishments, the Law on Charity and Sponsorship Funds, and the Law on Associations.

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3 Lithuanian Center of Registers, 2013 <http://www.registrucentras.lt>

4 Law on Charity and Sponsorship Funds, 1996, No I-1232.

Recent changes in legislation: the very first Law on Charity and Sponsorship Funds was adopted in Lithuania in 1993. This Law underwent several amendments in 1996, 2001, 2006 and 2012.

The latest amendments to the Law on Charity and Sponsorship Funds on 19 June 2012 introduced the following major changes: establishing a provision that a charity recipient must be a natural body, while an organisation may only be a support recipient; support can be provided not to programs, but to non-governmental organisations; the NGO itself has become responsible for the proper utilisation of its support; the concept of an anonymous donor was established etc. The amendments also clarified the management, operation, reorganisation and termination (or liquidation) of legal entities bearing the legal form of 'charity and support foundation.'

The most important amendment includes a definition of the concepts of endowment, endowment capital investment and endowment capital management; the principles of overall endowment management; additional requirements for statutes of charity and support funds managing endowments; the specific characteristics of governing bodies; endowment formation and management procedure; and the peculiarities of the termination of management. <sup>[5]</sup>

Under the provisions of the Law, an endowment can only be managed by a foundation whose Statutes establish endowment management as one of its activities. Endowments can be made in one of the following ways: either by donors transferring endowment funds (no less than LTL 250 000) to a foundation, or by forming an endowment fund from their own funds at a foundation's initiative. An endowment managed by a foundation at the decision of the general shareholders' meeting can be increased from their endowment income, but not by more than 50 %, or from funds transferred to the endowment by support donors. The Law also states that a reduced endowment has to be restored within three financial years after the date of the registration of the first endowment decrease with the Register of Legal Entities. If an endowment managed by a foundation is not restored in three years, or if the capital falls by more than 30 % from the average endowment capital registered in the course of the last three financial years, a foundation will be required to terminate the endowment management in accordance with the Law.

The mere existence of the Law can be viewed as the greatest boost for the development of philanthropy in Lithuania. Its efficacy, however, depends on its application in reality by all the stakeholders. However, the fact that only one endowment has been established in Lithuania since the adoption of the amendment in 2012 clearly proves that the Law still has some limitations and/or drawbacks.

The Legal definition of different types of foundation: in Lithuania there are two basic legal forms of organisation (public establishments and charity and sponsorship funds), whose activities are based on contributions. When the development of the NGO legal environment in Lithuania was launched right after independence in 1991, these legal forms were clearly separated from each other. One reason could be the fact that until 2004 only 'public establishments' were allowed to carry out economic activity. In the long run, both forms became strikingly similar. Even today it is still difficult to explain why quite a few founda-

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5 Law on Amendment of the Law on Charity and Sponsorship Funds, 2012 (Article 2).

tions in Lithuania are operating in accordance with the Law on Public Establishments, while the rest have opted for the Law on Charity and Sponsorship Funds. <sup>[6]</sup>

A short description of the fiscal framework:

- With the approval from the amendments to the Law on Charity and Sponsorship Funds in 2001, one significant sub-provision was lost. In the earlier version the Law offered individual private donors a tax break of up to 15 % of their annual income. However, this tax relief was abolished by the current Law.
- Lithuanian companies enjoy a tax break of up to 40 % of their profits when they donate to any institution which has charity recipient status (these could be schools, museums, libraries and NGOs, including foundations);
- Foundations (like all other NGOs) have the right to pursue economic and commercial activities which are not prohibited by the Law, which do not contravene its Statutes or the purposes of its activities, and which are necessary to attain the fund's objectives.
- Pursuant to the Law on Corporate Income Tax (CIT) and the Law on Charity and Sponsorship Funds, a foundation is regarded as a non-profit entity and is exempt from CIT unless it receives income from any economic activity. The part of the taxable profit of non-profit entities whose income from business or economic activities does not exceed LTL 1 million during a tax year, is taxed at a rate of 0 %, and the remaining part of the taxable profit is taxed at a rate of 15 %. If income from business activities exceeds LTL 1 million during a tax year, all of the foundation's income will be taxed at a rate of 15 %.
- Another advanced legal prerequisite in Lithuania is the 2 % Law, which is sometimes viewed as a 'percentage philanthropy' model, which, in fact, it is not. The central idea of percentage philanthropy is that taxpayers may designate a certain percentage of their income tax paid to a specific non-profit organisation, and in some cases other organisations, mainly churches. This percentage in Lithuania is up to 2 %; in Hungary, Romania, Poland and Slovakia it is up to 1 %.

### 1.3 The foundation landscape

*The number of foundations:* there are no fully reliable statistics in Lithuania as regards the total number of NGOs (including foundations) or their classification in terms of legal status. Besides, legal and statistical classifications only partially reflect the activities of organisations, and they can hardly be identified with the international or academic classification of NGO/foundation fields or areas.

According to one overall feasibility study, <sup>[7]</sup> there were 1 213 charity and support funds (with 233 full-time employees) and 5 211 public establishments (with 2 510 employees) in Lithuania in 2009. In fact, the number of foundations has remained pretty stable to date, while the number of public establishments has slightly increased. About half of the charity organisations are foundations.

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6 Legal Regulation of Foundations in Lithuania, NGO Law Institute, 2006

7 Feasibility Study for the NGO Subsidy Scheme of the Lithuanian and Swiss Cooperation Programme. Ministry of Finance, Centre for Social and Economic Development, Vilnius, 2010.

The most important types of foundation: about 500 foundations are private and/or family ones. The majority of other foundations were established either by groups of individuals or NGOs. The activities of foundations vary a lot depending on their founders' goals, the target groups, sources of funding etc. For example, there are foundations which were established to support schools, libraries, kindergartens, museums etc. There are over 20 corporate foundations. Moreover, many popular politicians (including the former President and his wife) have their own foundations. There is also an increasing tendency among wealthy Lithuanians (including expatriates) to set up funding for legal entities or to provide funding another way.

While the priorities and selection criteria of private foundations (such as those of politicians) are accessible by the public, the majority of others do not publish information on their policies and interests; they do not disclose their financial data, or they are not, so to speak, 'public-friendly.' In fact, charity and support funds are regarded as the richest NGOs, even though statistics proving this fact can barely be found. According to the data provided in the aforementioned feasibility study, the budgets of almost half of NGOs (including foundations) consist of funding EU and other foreign foundations (24.2 %), government and municipal budgets (22.6 %), private funds (19.5 %), a 2 % allocation (12.8 %), income from services (3.5 %), and other sources (9.3 %). Statistics on budget structure and the legal status of NGOs are not available.

Only a few foundations are grantmaking ones (e.g., the Kazickas Family's Philanthropy, and the public establishment 'Goodwill Projects' with the very first online donation portal in Lithuania), while the majority of other foundations distribute only charity and non-monetary support to individuals.

The dominance of foundations' areas of support (R&I compared to other areas of support): there are several foundations which were established by relevant government institutions. In fact, they are regular government agencies with the mission of distributing EU and national government funds for projects and programs covering a huge range of issues. Research and innovation is not the direct object of their grantmaking portfolio. However, support for the projects of some educational institutions has very clear indirect connections with the overall goal of the promotion of research and innovation.

The number of R&I foundations, their assets and expenditure (not EUFORI data): the situation of R&I funding in Lithuania has recently improved slightly. Even though there are only a few small private foundations focused on R&I in Lithuania, some new business initiatives are bringing some optimism for the future. The poor landscape of the R&I foundation sector could be explained by at least two main reasons that were explained during our interviews with experts. Firstly, the legacy of the Soviet mentality is often noted as the main obstacle against the development of private funding in the public policy context, as well as in the academic or business domains. Secondly, the uncertain economic situation in Lithuania may also be having a strong impact on the foundation sector.

According to the results of the qualitative data, the following obstacles have impeded the adequate development of Lithuanian's foundation sector: a specific approach towards research, a lack of a sustainable funding 'from idea to final product' system, a focus on quantity while ignoring quality measures, a lack of high level competence, legal gaps (e.g., a complicated public procurement system) and others. The

abovementioned issues are determined by inept scientific traditions during the Soviet period: a warped approach towards social science as a source of propaganda, isolation from the Western academic community etc. However, the current situation is changing fast and there are a lot of promising signs that the foundation sector in R&I in Lithuania will change for the better soon. For example, the Nextury Ventures Fund launched in December 2013 (see more below under Innovative examples). The prospects for the future development of the R&I foundation sector are closely related to the impact of the national government and EU policy. The national government is expected to provide an appropriate legal framework and to participate actively in changing current public opinion towards R&I. The EU's role is distinguished as contributing to raising awareness about foundations, providing a legal framework, as well as a structure to enhance collaboration between all the participants in this domain.

## 1.4 Research/innovation funding in Lithuania

Today there are hardly any private foundations in Lithuania supporting R&I. A few companies providing support for the relevant goals are doing this in an inconsistent manner within the framework of private companies, and with no separate legal body as a funding institution.

No statistics are available on expenditure on R&D&I in the nonprofit sector. Total expenditure for the R&I&D sector in 2012 by the government and the business sector are summarised in Table 1 below:

**Table 1. Total expensediture on R&I&D in Lithuania**

Sector (year 2012)	LT millions	EUR millions
Fundamental Research	374.1	108.34
Applied Research	408.4	118.28
Development of Technologies	243	70.37
<b>Total expenses R&amp;D</b>	<b>1025.5</b>	<b>297.00</b>

The percentage of GDP spent on R&D (GERD): according to the data of the Department of Statistics of Lithuania, joint R&D spending in 2012 accounted for 0.9 % of GDP, while the EU average R&D expenditure amounted to 2.06 % of the GDP. The Lithuanian public sector R&D expenditure is significantly higher than that of the business sector. The public sector's expenditure on R&D in 2012 amounted to 0.66 % of the GDP, while that of the business sector is only 0.24 % of the GDP. The total expenditure on R&D in 2012 compared to 2011 increased by 5.1 %. The support from EU structural funds made a significant impact on the overall growth of R&D spending.

Innovation performance: based on the Innovation Union Scoreboard indicators of 2013, Lithuania's Summary Innovation Index in 2012 was 0.28 (2011 – 0.271), while the EU average in 2012 was 0.544 (2011 - 0.531). According to the current data of the Innovation Union Scoreboard, Lithuania has made significant progress in the field of innovation. Lithuania's average growth in innovation is one of the largest in the EU-27 and represents 5 %. From the modest innovators group, Lithuania has moved to the medium group

of innovators, where there are such countries as Italy, Spain, Portugal, the Czech Republic, Greece, Slovakia, Hungary and Malta. The program aims at the overall strengthening of agricultural innovation, while Lithuania will attempt for its Summary Innovation Index in 2020 to be equal to the index average of the EU-28 Member States.

Comparing the amount of support for R&I from foundations, the government and private business. Almost all support for R&I comes from the national government and EU funds. Lithuania's level of R&D after a few years of stagnation substantially increased in 2011 (0.92 % of the GDP). However, this figure is still twice as low as Lithuania's target for 2020. Most of this increase took place in the public sector and is due to progress in implementing R&D-related projects financed by EU Structural Funds.

The business sector finances only about 28 % of the total R&D expenditure, and is still one of the lowest in the EU. After some progress in the early 2000s, business R&D hardly changed between 2006 (0.22 %) and 2011 (0.24 %). Business R&D was most affected in the services sector and somewhat less in the manufacturing sector.

As established in the National Progress Program for 2014-2020, Lithuania aims at increasing its government investment in R&D up to 1.9 % of the GDP in 2020, and also at maximising the private sector's growth in terms of investment in R&D.

One of the main obstacles against increasing investment in higher value added products and R&D is a lack of capital for innovative activities which are related to high-risk, long-term payback of projects, and require large investment. According to the data from the European Venture Capital Association, venture capital investment in the Baltic countries in 2009 accounted for just 0.01 % of the GDP, and was the lowest in the EU.

The most important targets and priorities in R&I policy in Lithuania: this Program aims at strengthening the innovativeness of Lithuania's economy and it also seeks that Lithuanian summary innovation index will reach the European average in 2020. On 16 May 2012, the Parliament of the Republic of Lithuania approved the National Progress Strategy 'Lithuania 2030' (hereinafter – the Strategy). The Strategy was drafted by the State Progress Council made up of experts and society leaders and led by the Prime Minister. The Strategy establishes Lithuania's long-term vision and lists priorities of changes in three key areas titled Smart Economy, Smart Society and Smart Governance. The Strategy also establishes some key indicators to be reached by Lithuania by the years 2020 and 2030. For example, Lithuania has to be in the top ten among the EU member states according to the following indices: Happiness, Competitiveness, Democracy and Perception of Corruption, and at least one Lithuanian university has to be in the top 300 universities in the world by 2030.

On the basis of this Strategy, on 28 November 2012, the government approved the National Progress Program for Lithuania for the period 2014-2020 (NPP). This Program is expected to serve as a basis for the EU Structural Fund's support for the next program period. The investment priorities concerning research and innovation policy come under the priority areas titled Smart Economy and Smart Society. It is pro-

jected that at least 11.44 % of all NPP (national and EU SF) funds will be invested in the development of the networked economy, and oriented towards the creation of higher added value. The policy's focus is on innovation networks and research collaboration, joining global networks and entering global value chains as well as fostering innovation in business and demand for innovation. Another 14.23 % of the funds are planned to be invested in education, culture and basic research (e.g. mobility, research infrastructure, competitive research funding etc.).

On 5 December 2012, the Lithuanian government approved the State Studies and R&D Programme for 2013–2020. This program sets long-term R&D policy targets, such as R&D intensity should reach 1.9 % of the GDP by 2020 (0.92 % in 2011), annual international patent applications should reach 150 (39 in 2011), and at least two Lithuanian universities should be among 500 world's best academic institutions by 2020. On 24 October 2012, the Lithuanian government approved an updated document titled Concept of the Establishment and Development of Integrated Science, Studies and Business Centres (Valleys) (hereinafter – the Concept). This new Concept provides the basis for the continuation of investments in the five science 'valleys,' and also defines steps on setting the priorities for investment into research and innovation in the context of smart specialisation. The Concept establishes that priorities will be approved by the government on the basis of an analysis performed by an international group of experts. It also intends to launch a specific program to fund some 'joint projects' in the defined priority areas. The Agency for Science, Innovation and Technology (MITA) has received a mandate to coordinate the implementation of 'joint projects' and develop a project pipeline. Moreover, the Concept provides the basis for the establishment of a new coordinating body – the Strategic Council for Research, Development and Innovation under the Prime Minister's Office.

Below there are some data about Lithuania's failures and achievements as compared to other EU countries or worldwide. The data were taken from the Innovation Union Scoreboard, the Public Sector Innovation Scoreboard, the Global Competitiveness Report of 2013-2014 and some other surveys:

#### Failures:

- Lithuania is lagging behind the EU average in terms of the number of SMEs implementing technological and non-technological innovations.
- Lithuania is also far behind the EU average in terms of the protection of intellectual property and the income derived from intellectual property licensing.
- According to university and business collaboration indicators, Lithuania ranks 28th out of 148 countries, and is ranked 12th place among the EU Member States.
- Lithuania's integrated science, studies and business centres – the so-called Valleys – do not meet its business needs.
- Lithuania lacks strong, sustainable clusters and incentives for strengthening relations of cluster participants. Currently the performance of clusters depends largely on the support from EU structural funds;
- A very small part of Lithuanian public sector organisations are innovative.
- Lithuania is ranked 40th place out of 142 countries (Estonia is 25th, and Latvia is 33rd) according to the Innovation Efficiency Index (in 2013 the rankings of the three Baltic states were 105, 51 and 74, respectively).

- According to a new Innovation Performance Index, which the EC designed in 2013 to evaluate the impact of innovation on the economy, Lithuania is among the least (the last but one) innovative countries in the EU.

#### Achievements

- Although Lithuania's ICT sector is directly responsible for 2.2 % of the GDP (2011), and in the EU 5 % of the GDP, but the sector's contribution to overall productivity growth is much higher due to its inherent dynamism, innovation and impact on other sectors of change.
- According to the number of R&D employees, Lithuania is not far behind the EU average. Most R&D employees work at higher education and government institutions, while many more R&D employees work in most EU member states.
- In recent years, State measures for applied research, technological development and innovation have had a positive impact on business R&D investment.
- Lithuania's ranking was relatively high with respect to education and research in 2013 (35th place out of 142 countries).
- Lithuania has highly qualified human resources and is ranked 20th place according to education indicators. However, the potential for knowledge of science, people's creativity, entrepreneurship and innovation has been still underexploited. Lithuania therefore aims at creating a favourable environment for an innovative society.
- According to the World Competitiveness Index of 2013-2014, Lithuania ranked 48 out of 148 countries. Lithuania is 16th among the EU Member States.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The process of identifying foundations supporting R&I in Lithuania comprised consultations with the Ministry of Education and Science, discussions with colleagues working at other ministries and government institutions dealing with R&D&I policies, exploring a wide range of websites and organising informal discussions with various NGOs, as well as charity and support foundations in particular.

With the purpose of identifying foundations supporting R&I, the online database of a government institution (the Registry Centre) was explored. The analysis was based on the double-checking of the legal form and status of and some other data about the organisations which were included in very draft first list of the foundations. The selection of the foundations was based on a snowball strategy. Not only NGOs, but also government institutions and business company representatives were involved. The very first draft included about 30 organisations. Unfortunately, the majority of the institutions were not foundations per se, but were institutions closely related to R&D&I funding development policies or strategies, and/or were founders of government foundations. On the basis of the selection results, some of these institutions were interviewed in the qualitative stage of the research.

There were five institutions or agencies identified for the survey as potential R&I ‘foundations:’

- The Research Council of Lithuania (LMT), which is a governmental institution and the main research and innovation funding foundation in Lithuania.
- The European Social Fund Agency (ESFA), which is a public nonprofit legal body with limited civil liability, established by the Ministry of Social Security and Labour and the Ministry of Education and Science of the Republic of Lithuania.
- The Lithuanian State Studies Foundation.
- The Agency for Science, Innovation and Technology (MITA); a government agency close to the Ministry of the Economy.
- The Future Society Institute, a private foundation that was established in 2012 and which carries out scientific research linked to various disciplines and which is focused on the wellbeing of society.

The selected institutions represent the major grantgiving and/or support-providing foundations. The selection was based on funding R&D&I practise and experience as the main criteria of expertise.

## 2.2 The survey

The identification of foundations supporting R&I in Lithuania revealed that a quantitative analysis was not possible as the pool of potential respondents was too small.

The survey invitations were sent by email and accompanied by a letter of endorsement. As the sample was very small, repeated direct contact (phone calls, emails and letters) was used as a strategy for encouraging participation and increasing the response rate. After contacting every foundation directly, all the respondents joined the research. However, only four foundations appeared to be valid as organisations in charge of decision-making in the R&I funding domain. A representative from the Lithuanian State Studies Foundation declared that the foundation's activities do not match the characteristics of R&I support and declined to fill in the questionnaire. It should also be mentioned that most of studied institutions failed to answer all the questions on the questionnaire since some of them appeared to be not applicable.

As mentioned above, the sample was very small, so the results of the survey in the report are analysed as case studies. Additional data from interviews and public source data such as annual reports were also used in the analysis.

## 2.3 The interviews

There were six in-depth interviews conducted with foundations and/or stakeholders in Lithuania in November/December 2013. The sample consisted of the following institutions:

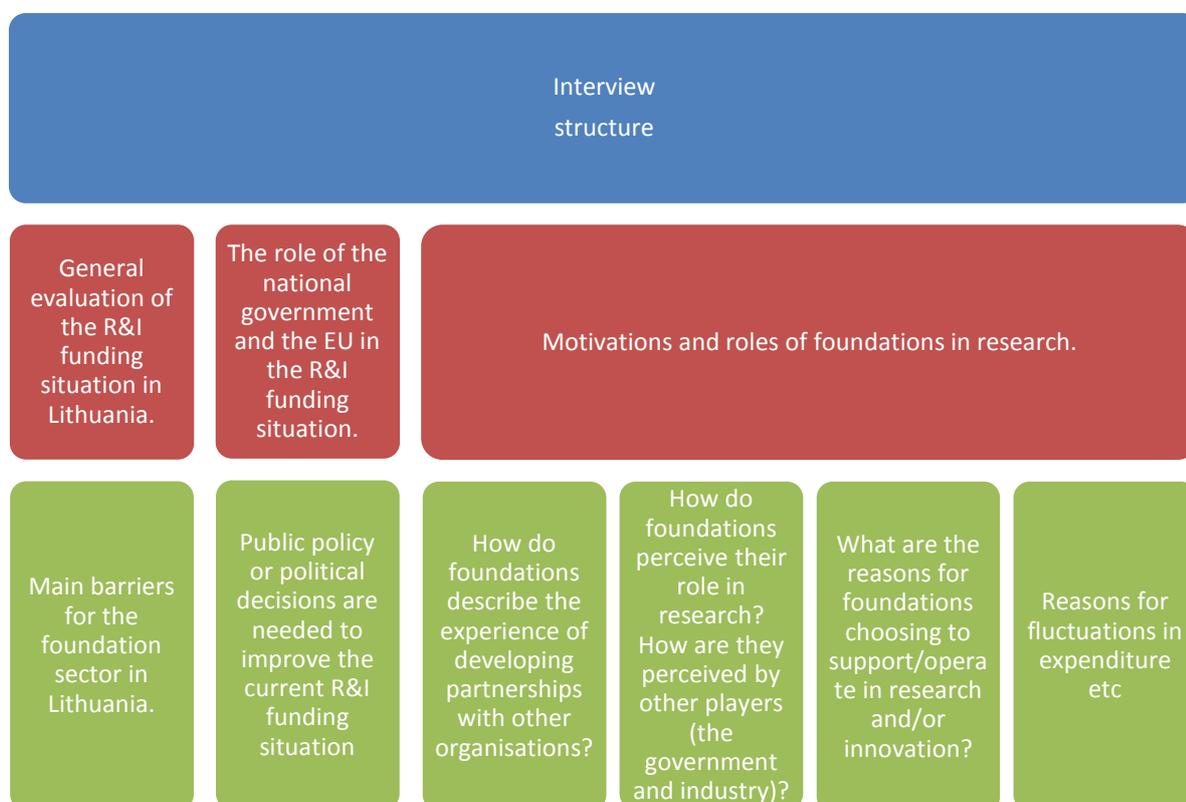
1. The Research Council of Lithuania (LMT). LMT is the main research and innovation funding institution in Lithuania.
2. The Agency for Science, Innovation and Technology (MITA). This is a governmental agency at the Ministry of the Economy.
3. The International School of Management and Economics (ISM). ISM is a private university which established the ISM Foundation which is currently focused on study scholarships. Nevertheless, an expansion of funding activities is planned in the future.
4. The Ministry of the Economy. Ministries are funding R&I in Lithuania mainly as intermediaries between the government and individual researchers.
5. The Ministry of Education and Science.
6. The Business Angels Fund, which is a risk capital fund for investment in innovative and export-oriented companies in Lithuania.

Institutions for the in-depth interviews were selected to reflect the broad spectrum of R&I funding agencies in Lithuania (a maximum variation strategy of sampling). The Research Council of Lithuania (LMT) and the Agency for Science, Innovation and Technology (MITA) were also part of the quantitative survey. As these foundations are the main R&I funding institutions in Lithuania, they were also selected for the interviews to provide a holistic picture of and particular insights into the current R&I support in the country. The results of the above mentioned interviews are also used in the case study analysis. The International School of Management and Economics is a private university that is looking forward to research funding in

the future and was chosen as an expert commenting on the current R&I situation in Lithuania. The Ministry of the Economy, and the Ministry of Education and Science are the main policy-makers in the R&I funding arena; thus, their insights and interpretations are valuable for understanding the R&I funding context in Lithuania. The Business Angels Fund was selected as a private fund having a wide range of experience in risk investment. They were chosen for interview because of their relevant expertise in and knowledge on the issues concerned. The Fund invests only together and on an equal basis with Business Angels. Their founder is the European Investment Fund ([www.eif.org](http://www.eif.org)). The Establishment Agreement of the Fund was signed as part of the project known as 'JEREMIE the controlling fund.'

The interviews lasted approximately 45-60 minutes. The interview questions are presented in the figure below (see Figure 1).

**Figure 1: The interview structure**



An analysis of the interview results is based on a comparative analysis and is structured into the following paragraphs:

- A general evaluation of the R&I funding situation in Lithuania.
- The role of the national government of the EU in the R&I funding situation in Lithuania.
- The motivations and roles of foundations in research

# 3 Results

## 3.1 Case studies of R&I foundations in Lithuania <sup>[8]</sup>

The case study analysis is based on the questionnaire in the quantitative survey. A quantitative analysis is not really possible due to the very small sample of research participants; four institutions. Besides the small sample, some respondents did not completed the whole questionnaire.

### Case study 1

The Research Council of Lithuania (LMT) is a governmental institution and the main research and innovation funding foundation in Lithuania.

Type of foundation and origin of funds. The LMT is a grantmaking foundation focused on both research and innovation. The financial founder is the government. The LMT is made up of a Board, two expert committees (the Committee of Humanities and Social Sciences and the Committee of Natural and Technical Sciences) and a research foundation.

Expenditure. The LMT did not declare its total income in the survey. However, according to the Annual Activity Reports of 2012 and 2013, their total income in 2012 was LT 102 596 000 (EUR 29 718 000), which included LT 35 000 000 (EUR 10 136 000) of EU structural funds. In 2013 their total appropriations were LT 105 760 000 (EUR 30 630 000). Non-current assets in 2012 were LT 1 231 000 (EUR 356 000) and in 2013 they appeared to be LT 13 500 (EUR 3 900). Total revenue from other funds in 2012 accounted for LT 101 195 000 (EUR 29 308 000). The government's influence on decision-making about the allocation of funds for R&I has been indicated as being four points from a possible ten. LMT has declared that 95 % of its expenditure goes on research and 5 % goes on innovation. 10 % of the total expenditure goes on research. The LMT has declared that 80 % of its total expenditure was related to direct research activities and 20 % went on research-related activities. More than 50 % of the expenditure on research in 2012 was in the form of grants. It has to be mentioned that LMT was one of two governmental foundations that declared their support for innovation as such. Regarding any changes in expenditure, LMT declared that it had remained about the same.

Focus of support. The LMT identified the following research areas: natural science, engineering and technology, medical science, social and behavioral science, the humanities and agricultural science. Research-related activities such as research mobility and career development, infrastructure and equipment, the dissemination of research, science communication/education and civic mobilisation/advocacy were also mentioned. The LMT declared that the most relevant areas of support in terms of research in the last five

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<sup>8</sup> Chapter 3.1. was supposed to present the quantitative analysis; however, due to the low number of R&I foundations in Lithuania a case analysis is more appropriate.

years are natural science and the humanities. Research-related activities such as research mobility and career development, infrastructure and equipment, the dissemination of research, science communication/ education and civic mobilisation/advocacy were mentioned as receiving support in the reported year as well as in the five years prior to the report; however, the amount of support was indicated as unknown. According to the Research Council of Lithuania's Activity Report (2014), <sup>[9]</sup> during 2013 six National Research Programs (NRP) continued to be implemented:

1. NRP State and nation: heritage and identity (approved by Order No.V-7 of 5 January 2010);
2. NRP Social challenges to national security.
3. NRP Chronic non-infectious diseases.
4. NRP Ecosystems in Lithuania: climate change and human impact.
5. NRP Future energy.
6. NRP Healthy and safe food (approved by order No.V-694 of 26 April 2011).

In October 2013 the Minister of Education and Science approved the following five new national research programs: 1. Modernity in Lithuania; 2. Welfare society; 3. Towards future technologies; 4. Healthy aging; 5. Sustainability of agricultural, forest and water ecosystems.

The projects of these National Research Programs are in the process of development.

Geographical dimensions of their activities. Referring to the geographical aspect, the LMT declared that 78 % of expenditure was at a national level, 17 % of expenditure was at an EU level and 5 % of expenditure was at an international level. When identifying the role of the EU, emphasis was put on areas such as providing a legal framework, providing a structure to enhance collaboration and investing in an information infrastructure through databases. The results of the quantitative research reflected these issues in more detail. The good and bad sides of EU involvement were also noted. 'The EU impact is very important at this point, especially in crystallising functions, growing a political culture. The EU sets out guidelines for policy direction, as Lithuania lacks a clear political approach sometimes. A bad EU impact could be identified in the structural funds domain. However, it came too fast and without a full administrative system. The only criteria for evaluation appears to be money beneficiaries, but neither continuity nor effectiveness is taken into account' Director of the Science Policy and Analysis Department.

Evaluating the contribution to European integration, the LMT mentioned the following areas: integration on educational issues, integration on research issues and integration on cultural issues. Speaking about EU policy, the peculiarity of the Eastern European context was mentioned as a relevant factor that should be taken into account. The EU often does not understand and evaluate Eastern European culture specifically; a mentality with a Soviet legacy, a lack of clear political position, profound distrust of national government, etc.' Director of the Science Policy and Analysis Department .

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9 The Research Council of Lithuania's Activity Report 2013. Vilnius, 2014. [www.lmt.lt](http://www.lmt.lt)

Operations and practices. The LMT is managed by its original financial founder, a governing Board with appointed members and an appointed director. The number of Board members is 29. According to the Council Activity Report (2013), the activities of the Board of the Council are carried out by the Chairman of the Board, chairmen of the Committees, the Research Secretary, a representative appointed according to a motion passed by the Committee of Education, Science and Culture in Parliament, representatives delegated by the Prime Minister, the Ministry of Education and Science and the Ministry of Finance; the Lithuanian Academy of Sciences writes the agenda for meetings, approves the expert groups proposed by the Committees and considers a number of other issues. <sup>[10]</sup> The basis for the activities of the LMT is designated to act as an advisory body for the Parliament of the RL and the Government of the RL on research and the training of researchers, to participate in the implementation of research and development (social, cultural) programs, to implement programs and competitive funding for research and development (social, cultural), and to organise the assessment of research activities carried out in Lithuania. <sup>[11]</sup>

The functions of the Research Foundation of the Council include the implementation Resolutions passed by the Council, the administration of calls for proposals, the organisation of expert evaluations, the provision of assistance at meetings of different Commissions and working groups operating with the Council, the drafting of descriptions of procedures for the implementation of the Council's activities and of other procedural regulations, the organisation of the Council's activities, and the drafting of documents related to the administration of the State and the European Union structural support funds allocated for the promotion of science, research and development activities. The Committees of the Council are authorised to pass decisions on issues related to the research areas under their supervision. It should be mentioned that the results of the qualitative research reveal some contradictions in the abovementioned LMT structure and functions. 'The Research Council of Lithuania has two main functions: as a foundation and as a center of excellence near the Lithuanian Parliament. These two functions contradict each other as the foundation is a policy implementing function and the center of excellence is a policy-making function' Director of the Science Policy and Analysis Department.

The LMT has professionally paid staff, their declared FTE is 62. As a grantmaking foundation it has identified its main daily practices as appearing to be a 'demand for evidence of how grants have been spent after the funded projects have been completed,' and 'evaluations to assess whether a grant was successful and why.' The rarest daily practices for the LMT appear to be: 'Our foundation waiting for applications from third parties, with no active call for proposals,' and 'our foundation pro-actively searching for projects (e.g. through competitive calls for proposals).' This tendency could be explained by the fact that the LMT is the main R&I funding institution in Lithuania. In 2013, the Council published 47 calls for proposals to participate in competitions, representing nearly a third of all calls published in 2009-2012 (total 140). <sup>[12]</sup> Regarding cooperation in partnerships, the main emphasis appeared to be on partnerships with public higher education institutions (60 %) and research institutes (20 %). Other potential partners received less than 10 % of the total share. The results of the in-depth interviews reveal the full spectrum of LMT en-

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10 The Research Council of Lithuania's Activity Report 2012. Vilnius, 2013. [www.lmt.lt](http://www.lmt.lt)

11 Ibid.

12 The Research Council of Lithuania's Activity Report 2013. Vilnius, 2014. [www.lmt.lt](http://www.lmt.lt)

gagement in partnerships. Developing partnerships at a national and international level is identified as an important factor in R&I development and an important criterion for financial support. 'The Foundation is rather favorable towards international consortium applications. We also support national participation in international projects by co-financing, joint programming initiatives etc.' Director of the Science Policy and Analysis Department.

According to the quantitative data, the LMT is engaged in partnerships mostly with governmental agencies such as the Agency for Science, Innovation and Technology (MITA), the Research and Higher Education Monitoring and Analysis Centre (MOSTA) and the Lithuania Science Academy. The motivation for joining partnerships is based on increasing impact, pooling expertise, expanding activities and avoiding the duplication of work. The research funding practices that stand out in Lithuania to some extent are specified as successful public-private partnerships involving foundations, such as the Council supporting the private sector by funding research projects. Nevertheless, their support is mostly focused on fundamental research. The LMT identifies its role in the R&I domain mainly as complementary (additional to other support) and less often as substituting (instead of/a substitute for other support).

## Case study 2

The European Social Fund Agency (ESFA)

is a public nonprofit seeking legal entity of limited civil liability, established by the Ministry of Social Security and Labour and the Ministry of Education and Science of the Republic of Lithuania.

Origin of funds. The ESFA is an operating foundation. In the survey it did not declare the amount of total income, as one respondent indicated 'I don't want to answer this question.' Nevertheless, according to its annual activity report, the ESFA in 2012 operated projects totalling LT 2.698 billion (EUR 0.8 billion). <sup>[13]</sup> The source of their income is the EU and the national government; however, the influence of the government in decision-making was not defined. According to the activity report, the ESFA's current assets in 2012 were LT 782 411 (EUR 226 602).

Expenditures. According to the survey data, the declared amount of the ESFA's total expenditure in 2012 was EUR 5 126 228. Own operating costs is 5% of total support. Referring to changes in its expenditure, the ESFA stated that R&I expenditure compared to the previous accounting year remained about the same and it was expected to do so for the following year.

Focus of support. The ESFA identified its areas of research as being natural science, engineering and technology, medical science, social and behavioural science, agricultural science and the humanities. The ESFA in the last five years has supported most research areas. Social and behavioural science was at the top of the list of research areas they support, whereas the LMT ranked this area in the third place. Second place according to the ranking went to the humanities; and last place went to agricultural science. Research-related activities such as research mobility and career development, technology transfer, infrastructure

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13 <http://www.esf.lt>

and equipment, the dissemination of research, science communication/education, and civic mobilisation/advocacy were mentioned as receiving support in the last five years (prior to reported year). The ranking results of the abovementioned research-related activities revealed that research mobility, and career development and technology transfer are in first place, followed by civic mobilisation/advocacy and communication/education.

Geographical dimensions of their activities. According to the the survey results, 100 % of ESFA funding is focused on a national level. When identifying the role of the EU, the strongest emphasis was put on areas such as providing a legal framework, providing a structure to enhance collaboration and to contribute to awareness raising about foundations. When evaluating their contribution to European integration, the ESFA mentioned that its activities contribute to EU integration on educational issues, research issues, social issues and cultural issues.

Operations and practices. The ESFA is managed by its original financial founder. It has also a governing Board with six members. It also has professionally paid staff. The FTE totals 236. The main daily practices appear to be a 'demand for evidence of how grants have been spent after the funded projects have been completed,' 'evaluations to assess whether a grant was successful and why' and 'long-term support.' 'Supporting an organisation only once (i.e. projects can receive a grant once only' was mentioned as the practice that had never happened.

The survey results indicate that the ESFA had claimed to have no partnerships. However, the annual report of their activities, as well as their website, suggested that the ESFA is focused on plenty of local and international partnerships with governments, universities and is a member of various international networks (the ESF Baltic Sea Network, Active Inclusion (AI), the Learning Network etc.).

The survey results revealed that the ESFA identifies its role in the R&I domain always as complementary (additional to other support).

### **Case study 3**

The Agency for Science, Innovation and Technology (MITA)

is a governmental agency close to the Ministry of the Economy. MITA was established on 4 May 2010 with the aim of fostering business and science cooperation and creating a friendly environment for business needs and innovation. It is a mixed grantmaking and operating type of agency.

The origin of funds. The Ministry of the Economy and the Ministry of Education and Science are the main founders of MITA. The activities of MITA are jointly supported and funded by them. Thus, MITA's annual strategy depends on the original financial founder's, i.e., the government's decisions. The main source of income is income from the EU and the national government. Unfortunately, in the survey MITA did not declare either the amount of its total income or its expenditure in 2012. However, according to the annual

financial report, its total income in 2012 was LT 8 256 669 (EUR 2 391 296).<sup>[14]</sup> The governments' influence on decision-making in terms of allocating funds was evaluated at nine points, or totally influential. According to the report, MITA's total assets in 2012 amounted to LT 2 575 832 (EUR 746 013).

Expenditure. Unfortunately the questions related to expenditure were not answered by MITA. According to the report, MITA's total expenditure in 2012 appeared to be the same amount as its income: LT 8 256 669 (EUR 2 391 296).<sup>[15]</sup> The data from the quantitative research indicate that the number of applications and funded projects has increased significantly every year. 'This year our expenditure has increased four times. With every year the number of projects increases, and the government gives bigger funds. For example, in 2011 we funded 14 projects on intellectual property and in 2012, 86 projects in this field' MITA, Head of the Innovation Support and Technology Transfer Division.

Focus of support. The survey results reveal that MITA's beneficiaries are allocated as follows: 40 % to the non-profit sector, 30 % to public higher institutions and 30 % to research institutes. As its research areas MITA identified natural science, engineering and technology, medical science, social and behavioural science and the humanities. In the last five years MITA has supported these research areas. It also mentioned that there have been no special priorities; their support depends on the quality of the project. Research-related activities such as technology transfer, infrastructure and equipment were mentioned as receiving support in the last five years (prior to the reported year). Other fields were not indicated at all. The ranking results of the above mentioned research-related activities put technology transfer at the top, followed by infrastructure and equipment.

Geographical dimensions of their activities. According to the survey results, 100 % of MITA's funding is focused on a national level. The survey results indicate that when identifying the role of the EU, MITA puts a strong focus on areas such as providing a legal framework, providing fiscal facilities, providing a structure to enhance collaboration and investing in an information infrastructure through databases. The results of the quantitative analysis revealed a rather favourable and optimistic approach towards the EU. 'At the EU level everything is fine, or at least this is what was declared in Horizons 2020 MITA, Head of the Innovation Support and Technology Transfer Division.

Concrete steps as to how to foster the foundation sector in public private partnerships was also mentioned. The main idea is to foster international partnerships. 'In Lithuania we should focus on joint projects of research and business that could take bigger funding programs, as up to now such initiatives have been rather fragmented and distributed between different levels of funding' MITA, Head of the Innovation Support and Technology Transfer Division.

When evaluating the contribution of its activities to European integration, MITA mentioned that its activities contribute to EU integration on research issues and in supporting joint research projects in Europe.

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14 <http://www.mita.lt>

15 Ibid

Operations and practices. MITA is managed by its original financial founder. It has professionally paid staff. The FTE amounts to 35, so compared to other governmental agencies it is relatively small. MITA identified the following 'daily practices': 'it prefers "small" grants for multiple organisations/individuals over "large" grants to a few organisations/individuals,' 'it demands evidence of how grants have been spent after the funded projects have been completed,' 'it conducts evaluations to assess whether a grant was successful and why,' 'it is involved in the implementation of a project which it funds,' and 'support from our foundation is on a long-term basis (i.e. an annual amount for a project for multiple years).' A practice that never happens in MITA is 'supporting an organisation only once (i.e. projects can receive a grant once only).'

The survey results show that MITA declared having no partnerships. However, this declaration to some extent contradicts the results of the in-depth interview. Being a governmental organisation, MITA sustains public-private partnerships at a national level and institutional memberships at an international level, which facilitates the pooling of expertise. 'We have a lot of partnerships in terms of excellence and expertise. MITA is a member of various international groups, networks etc. We also plan to start a new idea now: involving foundations in a start-up supervisory system. We give money for a start-up project, the foundation applies for a supervisory role, and if the project is successful the foundation gets some money' MITA, Head of the Innovation Support and Technology Transfer Division.

Roles and motivations. The survey data revealed that MITA most often identifies its role in the R&I domain as substituting (instead of/a substitute for other support) and sometimes as competitive (aimed at being a rival of other initiatives). Initiating and complementary roles appear rarely. The results of the quantitative research confirm that the main emphasis is on a substituting role. 'It is very complicated, as the State initiative to separate funding initiatives is not big enough, so an urgent need will arise to look at all the legal issues etc.

'We have priorities which are focused on IT and bio-technology, although the main criterion is that innovation should be totally unique. This approach is not good, as an innovation might not be a new start-up but an improvement of an earlier invention. However, according to our criteria, in Lithuania any improvement is not referred to as an innovation. This could also be an obstacle' MITA, Head of the Innovation Support and Technology Transfer Division.

## Case study 4

The Future Society Institute is a private operating foundation established by private funds in 2011 that carries out scientific research linked to various disciplines and is focused on the wellbeing of society. The origin of funds. The institute was launched under a private initiative; the original financial founder defined the annual strategy. The Future Society Institute had a total income of EUR 34 752 in 2012. The following sources of income have been identified: donations from for-profit corporations, donations from nonprofit organisations, income from the government, fees for services and earnings from sales. It was also declared that they almost never distribute governmental funds. The influence of the government on decision-making about the allocation of funds equals to two points on a scale of ten.

The survey results show that 50 % of the Future Society Institute's expenditure goes on research. The Innovation field as such was dismissed completely. Nevertheless, this tendency is not surprising. For example, LMT as the main research funding institution in Lithuania declared that just 5 % of its expenditure goes on innovation. This private foundation stated that 50 % went on basic research and 20 % on applied research. It declared its current assets as being EUR 45 757.

It also mentioned that 50 % of its total expenditure was related to direct research activities and 10 % to research-related activities. According to the survey results, the foundation's expenditure on R&I is growing and is expected to grow next year. Bearing in mind that the Future Society Institute was established recently, these expectations for growth are natural.

Focus of support. The beneficiaries were not identified; however, on exploring the Institute's website, a short introduction about their cooperation with universities and government authorities was found. <sup>[16]</sup> According to the data, social and behavioural sciences and the humanities were identified as the main research areas receiving their support. The support for the abovementioned fields in 2012 was EUR 17 376; meanwhile in the past five years (the foundation was established in 2011) the support was EUR 8 688. Research-related activities such as the dissemination of research, science communication/education and civic mobilisation/advocacy were mentioned as the fields of support in the reported year as well as during five years prior to report.

Geographical dimension of their activities. This private foundation specified its expenditure as follows: 10 % at a local level, 30 % at a national level, 30 % at an EU level and 30 % at an international level. When identifying the role of the EU, the foundation said the EU provides a structure to enhance collaboration and to raise awareness about foundations. When evaluating their contribution to European integration, the following aspects were mentioned: integration on social issues and integration on cultural issues.

Operations and practices. The Institute is managed by the original financial founder and an appointed director. The Future Society Institute has a small number of professional staff compared to other case studies. The number of FTEs is four. However, it should be noted that the other case studies are governmental institutions and the rather high number of staff is a natural tendency in public organisations.

When referring to cooperation in partnerships, the Institute mentioned governments, universities and research institutes. According to the information published on the Institute's website, one of the main activities is 'encouraging cooperation between business, science, the arts and the State by focusing on research and development (R&D).

According to the survey, the reasons for engaging in these partnerships were as follows:

- Pooling expertise and/or sharing infrastructure.
- Increasing their impact.
- Expanding their activities (internationally or otherwise).

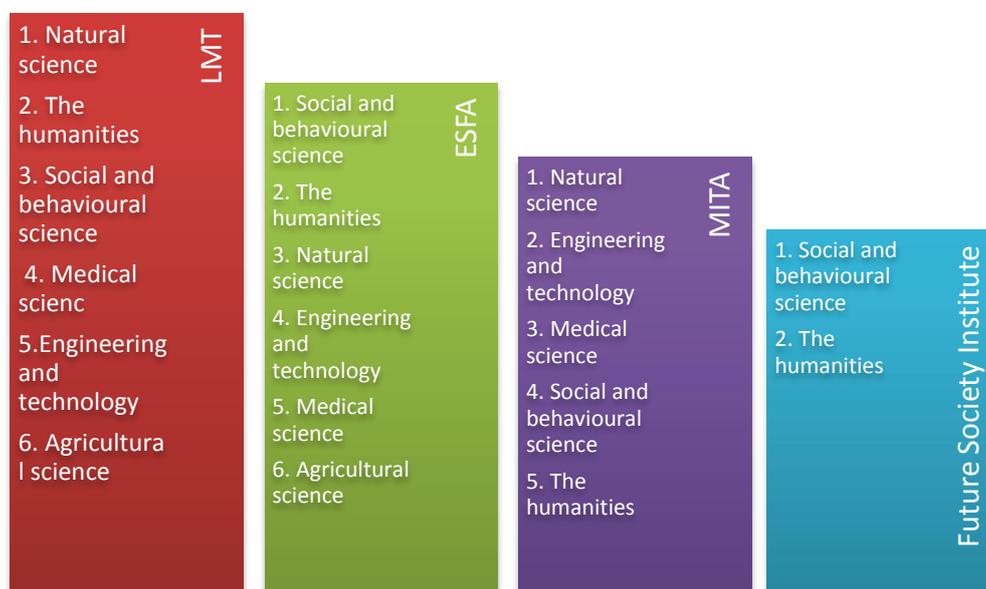
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16 <http://www.futuresoc.com>

The Future Society institute identifies its role in the R&I domain as always initiating, often substituting and rarely complementary (additional to other support). Meanwhile, the other case studies most often defined their role as complementary (LMT, ESFA) or substituting (MITA). This tendency is natural due to the nature of governmental institutions. Overall, it could be assumed that the low number of private R&I foundations in Lithuania is explained by the lack of private initiative.

To sum up this chapter, the main fields of support competing at the top of the ranking list appear to be natural science and social science. National governmental agencies such as MITA and LMT focus on natural science, while social and behavioural science stands at 3rd and 4th place in their rankings. Private foundations and the ESFA, on the contrary, mainly focus on social and behavioural science. A summary of the areas of support and their rankings are shown in Figure 2 below.

**Figure 2: The rankings for the areas of support fields by different organisations.**



Summing up the financial tendencies of R&I support it is clear that governmental initiative dominates the R&I domain. Private initiative is still very new, and has fewer funds, although it is ambitious, taking the initiative and being cooperative with governments. A summary of the main financial statistics is presented in Table 1 below.

**Table 1: Financial statistics of the respondent institutions in 2012.**

Organisation	Income in Euros	Expenditure in Euros	Assets in Euros
The Research Council of Lithuania (LMT)	29 713 855	29 306 400	35 623
The European Social Fund Agency (ESFA)	N/A	5 126 228	226 602
The Agency for Science, Innovation and Technology (MITA)	2 391 158	2 391 296	745 012
The Future Society Institute	34 752	17 376	45 757
Total		36 841 300	1 052 995
Mean		9 201 325	263 249

## 3.2 The context of R&I funding in Lithuania

This chapter looks at the results of six in-depth interviews with stakeholders of R&I funding policy in Lithuania. The interviewees are recognised as experts in the R&I funding arena. Their position and experience in the field of expertise were taken as the main selection criteria. The participants of the in-depth interviews were as follows:

1. The Head of Innovation Support and Technology Transfer Division at the Agency for Science, Innovation and Technology (MITA).
2. The Head of Innovation Policy Division, at the Ministry of the Economy.
3. The Director of Science Policy and Analysis Department at the Research Council of Lithuania (LMT).
4. The Director of the Department of Higher Education, Science and Technology, at the Ministry of Education and Science.
5. The Director of Business Angels Fund I.
6. The Director for Strategic development at the International School of Management and Economics (ISM).

This chapter consists of the following three sections:

1. A general evaluation of the R&I funding situation in Lithuania.
2. The role of the national government, the role of the EU in the R&I funding situation in Lithuania.
3. Motivations and roles in funding in research.

### A general evaluation of the current R&I funding situation in Lithuania

Most of the respondents talking about the current R&I funding situation in Lithuania appeared to be rather critical. The Ministries, as a part of the national government, have a strong impact on R&I funding in Lithuania. The lack of a foundation sector was also mentioned. 'The Ministries are responsible for priority setting in funding just because there is no foundation system. Scientific work is not evaluated enough in Lithuania; there are very high requirements for qualifications, however, and the financial reward is not high enough' LMT, the Director of the Science Policy and Analysis Department.

The deficit of continuity at a policy level was identified as one of the major reasons why R&I is mainly funded by governments and private funding is still missing. The current R&I funding situation in Lithuania was identified by most of the respondents as being in the middle of a ten-point scale, where one is very poor, and ten is very good. 'Research funding in Lithuania is good enough. However, there is no clear funding policy for applied research and innovation. There is a gap between research and the final product as a result. The Ministry of the Economy has taken some initiative; however, there is no sustainable funding for the whole process from research to product experiment. On a scale from one to ten, the current situation in Lithuania is six or seven' LMT, the Director of the Science Policy and Analysis Department.'

The representative from MITA also noted the lack of sustainability in R&I funding policy. 'There is no system, no sustainable process of funding research and innovation. First of all, funding possibilities should be not fragmented into public calls as it is now, but united in a sustainable process; second, Lithuania should raise its level of innovative ideas. With every political election we usually have long breaks (up to 2 years) between project calls, which also breaks the continuity of funding and project implementation' MITA, Head of the Innovation Support and Technology Transfer Division.

However, some representatives from private institutions tend to be more optimistic about the current R&I situation and look at it as full of possibilities. The Director of a risk capital foundation regards current R&I funding in Lithuania as extremely good; however, he admits that the potential to benefit from this situation is not high enough in our society. In his opinion, 'there are lots of opportunities to attract the needed funding from various resources. What are needed, are ideas, the ability to take risks, hard work, and sincere cooperation and partnerships Director, Business Angels Fund I.

The representative from MITA emphasised that major barriers for the development of private R&I funding in Lithuania are related to an inadequately systematic approach, gaps in the legal system and a lack of personal skills. 'Bureaucracy and an emphasis on efficiency are the main obstacles. Not every talented researcher can pass the funding requirements or have a certain number of publications, etc. Quality, not quantity, should be important. Language barriers also exist as not everybody in the older generation is fluent in English and so are not able to participate in international projects' MITA, Head of the Innovation Support and Technology Transfer Division.

The respondent from the Ministry of Education and Science confirmed the above mentioned approach about the lack of high level personal competence. 'To attract funding/investment, we have to be an interesting country with high-level specialists. We have to stimulate business to work together with science.' Director of the Department of Higher Education, Science and Technology, the Ministry of Education and Science.

The representative from the LMT also mentioned the economic situation and the legacy of a specific post-Soviet mentality as the relevant cause of the current R&I situation in Lithuania, 'I definitely do not think that R&I should be mostly funded by the government as it is now; however, there are two main obstacles for foundations. One is related to economic potential; Lithuania is a small country and has a few big companies that understand that our business future depends on R&I. It is too early for Lithuania, as there are

very few such companies, and secondly, there is a problem with our mentality. 20 years is just too short a period for the development of these foundations' LMT, Director of the Science Policy and Analysis Department.

The specific business approach towards innovation which was identified as the legacy of the Soviet period was also noted by other respondents. Both governmental and private foundations have noticed a lack of management skills in building R&I funding strategies. 'Today business is not capable of formulating its own problems, whereas scientists are not capable of formulating their own opportunities in business language. We badly need intermediaries or an innovation broker who would listen to both sides, and who would give advice and help meet the needs of both parties Director of the Department of Higher Education, Science and Technology, the Ministry of Education and Science.

Research funding as such is not seen as strategic object among businessmen. This is because of the post-Communist mentality; most businessmen have graduated from university and have a very specific sceptical approach towards science, especially social science and the humanities' ISM Director for Strategic Development.

'At the moment all funding initiatives are on a governmental level and this is not good. In fundamental research State initiative should probably be the most common; however, on other research levels business should also take some responsibility. On the other hand, social innovations do not always guarantee good results in the short term and researchers are afraid to risk applying for projects, and business is afraid to get involved in a long process' MITA, Head of the Innovation Support and Technology Transfer Division. The representative from the Ministry of Education and Science, which is one of the two main R&I policy makers, emphasised that not only businessmen, but also politicians are regarded as being unaware of the importance of the most important aspect: science commercialisation. 'We lack the relevant traditions. A few years ago, the former Prime Minister initiated a Technopolis Council for the coordination of scientific activities. The Council had a secretariat and several staff members. Its functions included monitoring various aspects of scientific development. Unfortunately, the current government has cancelled the Council's activities' Director of the Department of Higher Education, Science and Technology, the Ministry of Education and Science.

The representative from the Ministry of Education and Science indicated two reasons as major being obstacles for insufficient R&I funding in Lithuania: a) the industry's insufficient understanding of the need and importance for investing in R&I, and b) the country's current economic capabilities, which do not allow the government to allocate more budget funding for the issues in question. 'There is a need to support and provide funding for newly emerging businesses. Science institutions are the owners of their own business ideas and intellectual property. For example, Kaunas Technological University has been developing spin-offs which should be supported financially by the State. Unfortunately, we lack competent people and specialists to deal with science commercialisation. Another area is to provide consultations for the available scientific potential. For example, TERMOFISHER has come to Lithuania thanks to the availability of strong scientific centres in our country' Director of the Department of Higher Education, Science and Technology, the Ministry of Education and Science.

With regard to institutions that should be in charge of R&I funding, the government's actions in terms of coordination and implementation were criticised. 'There is insufficient coordination between the Ministry of Education and Science and the Ministry of the Economy. Both Ministries throw a lot of criticism at each other, yet neither of them is ready to listen and work together. We need good brokers who not only understand business and science, but who could also work in a professional way, ultimately leading to better results.

'Every Ministry does its own work. The Strategy on Innovations of Lithuania has been pretty good, and not only because it is based on some foreign expertise and experience. However, the implementation of the strategy is its weakest point since the actions have been inconsistent and scattered' Director of the Department of Higher Education, Science and Technology, the Ministry of Education and Science.

Gaps in the legal system are identified as another crucial barrier against private R&I funding. 'In Lithuania there is a big legal gap between research and innovation. At this point, there are some legal and systemic shortfalls. For example, innovation is supported by the Ministry of the Economy, and research and development (R&D) are mainly supported by the Ministry of Science and Education. This leads to a lack of applied research and technological development that could be focused on new innovative products. Business does not want to take a risk on not fully developed innovative ideas. This is one of the reasons why investment in innovation is not growing in the business sector' Head of the Innovation Policy Division, Ministry of the Economy.

The respondent from MITA noted that the public approach towards natural science is more favourable. This tendency could be explained as a legacy from the Soviet period when science was focused on fundamental research and social science was used as an instrument of propaganda. 'The research funding is mostly focused on fundamental research, not social "soft" research. This tradition is a legacy from the Soviet period' MITA, Head of the Innovation Support and Technology Transfer Division. The preference for natural science also came up when analysing the rankings of areas of support in the case studies.

The ISM representative confirmed that the most relevant factor in the current R&I funding domain is the post-Soviet mentality, which is especially typical for the older generation. 'All entities such as the government, business and scientists should perceive that there is a big problem in research funding and innovation development. It is hard to be competitive in global R&I projects due to the legacies of the Communist period and a more than 50-year gap in the competitive economy. Fundamental science is at quite a high level, although social science, the humanities and economics are mostly funded by the Lithuanian Research Council or the Agency for Science, Innovation and Technology (MITA). On a scale from one to ten, the current situation in Lithuania is four' ISM, Director for Strategic Development.

However, there were also some optimistic predictions for the future. Although most of the funding for R&I still comes from the government, there is a slowly growing increase in the amount of funding allocated from private funds.

'We have some pioneers in the laser field, but they have their own scientific departments and fund just a few research tasks for their employers. Probably in the future this will create a spin-off as private foundations. 20 years is just too short a period of development for this kind of foundations' LMT, Director of the Science Policy and Analysis Department.

'Although the share of funding from private business is growing, it is still at an early stage. The Ministry of the Economy has launched some support projects for innovative start-ups etc.' Head of the Innovation Policy Division, the Ministry of the Economy.

Thus, the current situation in terms of R&I funding in Lithuania is rather contradictory. The respondents defined the situation as lacking strategy and continuity. The lack of private initiative related to economic reasons was also mentioned. However, it might be assumed that the economic situation is not the main factor determining the low number of private foundations. According to the EuroBarometer data 2013, <sup>[17]</sup> 70 % of Lithuanians view the current economic situation as 'bad.' Nevertheless, compared to other EU countries, Lithuania is in the middle of the scale, similar to another 15 EU countries (France, Estonia, Italy, etc.) where more than 80 % of citizens identify the economic situation as 'bad.' However, according to the World Giving Index 2013 <sup>[18]</sup>, Lithuania's ranking was 120, one of the lowest results among the EU countries. Thus, the critical aspect of rather poor R&I funding is due to the specific mentality that is the legacy of the Soviet period. Exceptional sympathy towards natural science, a specific perception of innovation, and a lack of entrepreneurship skills could be identified as manifestations of this post-Soviet mentality.

### **The role of the national government and the EU in the R&I funding situation in Lithuania.**

National R&I policy is viewed as being ineffective and impeding innovation. The role of the national government is identified as providing a legal framework; however, the respondents were rather sceptical about political issues as there are legacies from the Soviet period.

'At a national level, there should be a clear separation between policy-making and policy implementation mechanisms. This helps to avoid conflict of interest. There was a project called 'Sunrise Valley.' <sup>[19]</sup> However, due to a lack of political will and understanding it was not finalised. There is a problem of perception on a political level here - science and education are not priority areas for action. This is problem of political culture' LMT, Director of the Science Policy and Analysis Department.

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17 Eurobarometer 80.0: Europeans, the European Union and the Crisis, Autumn 2013.

18 [http://www.cafonline.org/pdf/WorldGivingIndex2013\\_1374AWEB.pdf](http://www.cafonline.org/pdf/WorldGivingIndex2013_1374AWEB.pdf)

19 The Sunrise Valley (Saulėtekio slėnis) initiative covers a group of projects combining physical infrastructure development with a range of business incubation, risk capital, R&D, product development and entrepreneurship education services in an attempt to transform the capital of Lithuania, Vilnius, into a 'city of knowledge.' This initiative, which originated in 2001, received a major boost from the EU Structural Funds in 2007-2013. The managing authority of the project was the Ministry of Finance.

The private foundation emphasised the lack of stability in legal regulation. 'Laws should remain unchanged for at least fifty years. They can be amended, but not drastically changed. Investment in R&I gives a return on investment. If no incentives and benefits are created, no investment will come. The government should not interfere with private investors. On the contrary, private investing complemented by government support is very logical' Director, Business Angels Fund I.

The representative from the Ministry of the Economy also mentioned the 'bad practice' example of national R&I government policy; the public procurement system that is not used sufficiently for R&I funding in Lithuania: '...the Ministry of Economy believes that public procurement can boost demand for innovation. There is a shared understanding that improved public procurement practices can help foster the market uptake of innovative products and services, whilst raising the quality of public services in markets where the public sector is a significant purchaser. Mobilising public authorities to act as "launching customers" by promoting the use of innovation-friendly procurement practices is therefore an important measure. However, purchasing organisations are sustained by conducting public procurement based on other criteria than the lowest price due to the risk of having legal issues with transparency etc. For this reason the Ministry of the Economy is engaged in discussing this topic with the Public Procurement Office and is drafting Recommendations on Innovative Public Procurement' Head of the Innovation Policy Division, Ministry of the Economy.

The public procurement system was also criticised by other respondents. The main feature of the current public procurement system is that most often the lowest price is used as the selection criteria. Using other forms of public procurement takes longer and needs a more detailed approach, so is often avoided by institutions. 'At the national level, there should be some political decisions fostering innovation funding. For example, the innovative procurement system, which should be focused not on the lowest price, but on interesting ideas. At the moment everybody in business follows the standard rules in public procurements as this is most direct way to a successful one' MITA, Head of the Innovation Support and Technology Transfer Division.

'Public procurement does not work. Something should be done to make procurement fast, efficient and transparent. Information spreads at the speed of light, there is no time for messing around. The patenting procedure should be improved to make it less bureaucratic and less expensive. Some form of compensation for patent promoters should be established' Director, Business Angels Fund I.

The respondent representing the Ministry of the Economy also mentioned a few issues concerning the EU's role in public procurement policy. 'The Commission is working on guidelines for the 'Public Procurement for Innovation' but they are not ready yet. The topic of Public Procurement for Innovation has been on the EU agenda for many years now, which means that eventually Lithuania will also have to apply the principles of this procurement. The Ministry of the Economy does not plan to determine a compulsory percentage of public procurement for innovation as it is too early to make such a demand in Lithuania' Head of the Innovation Policy Division, Ministry of the Economy.

The representative from the Ministry of the Economy emphasised the need for change at a national level. The role of the national government is to provide the legal structure for enhancing the collaboration between business and science. 'Some structural reform is needed on a national level, for example, to distribute the funding areas more efficiently between the Ministries according to their competencies' Head of the Innovation Policy Division, Ministry of the Economy.

Contrary to this criticism towards national government, a rather optimistic and favourable approach towards EU policy was noticed. The EU is seen as a provider of the following or at least some of these tasks or aspects: a legal framework, fiscal facilities, a structure for enhancing collaboration between foundations across the EU, investing in information infrastructure/ databases, providing guidelines for monitoring or foundations' operations. However, the relevance of the national government was also mentioned. 'Awareness raising for foundations should be first done by ourselves; however, some sort of foundation project evaluation could also come from some EU institutions to ensure impartiality. No doubt more funding should come from the national government budget. Local government cannot really do anything in this field, since they are not charged with such a function. Businesses should also be stimulated to invest in R&I. How can we stimulate them? There are mechanisms, yet they are barely operational for various reasons' Director of the Department of Higher Education, Science and Technology, Ministry of Education and Science.

'The government should improve the legal basis to attract private foundations. Foundations can be much more flexible in funding ideas than public sector institutions. The public sector could act as a coordinator, an umbrella for private foundations supporting research and innovation. Although the government in Lithuania and also the EU are not sure about this model, and they are likely to be of afraid of corruption' MITA, Head of the Innovation Support and Technology Transfer Division.

It was clear that stakeholders in general have rather high expectations of EU support. The EU was also identified as the main body fostering the foundation sector in Lithuania as the national government is often constrained by an insufficient legal system. 'A Joint program initiative is one way to promote a foundation culture. The EU may give some funds for private R&I foundations, and this could be a very effective initiative. The Lithuanian government cannot invest in private organisations as this is prohibited by law to prevent corruption' LMT, Director of the Science Policy and Analysis Department.

The EU's role is understood as providing a structure and fiscal facilities that could enhance the R&I funding system. The varied nature of different EU regions should also be taken into account. A lack of managerial competence is understood as being one of the Soviet legacies. 'At an EU level there should be regulations with a legal basis and an economic policy fostering PPP at all levels of policy. For example, the Jeremie Initiative in the EU should also be for soft projects

'The EU should assess the varied nature of its different regions and their potential for accessing funds. Different regions should have different specialisations in research areas. Smart specialisation should integrate different fields, for example technology and management. Nowadays Lithuanian scientists have strong competencies in laser technology, but weak managerial skills, and they sell their inventions to inter-

national distributors instead of introducing the final product to the international market under the name of Lithuania' ISM Director for Strategic Development.

However, some criticism towards current EU policy could also be detected in the interviews. 'At the EU level the area of innovation has been moved from the DG Enterprise and Industry (ENTR) to the DG Research and Innovation (RTD). As a result, innovation is now more identified with a research context and not in the industrial context as before. This poses a problem, as now innovation at the EU level can be represented only by the Ministry of Education' Head of the Innovation Policy Division, Ministry of the Economy.

EU institutions are sometimes regarded as lacking flexibility, and too long is taken in the process from decision-making to launch. 'Decisions should take much less time. Otherwise EU institutions can hardly support the promotion of competition. The EU should take more risk upon itself' Director, Business Angels Fund I.

A critical view of the national government and its role in R&I policy predominated. The national government was often identified as being aware of the importance of R&I funding but was not expected to do anything more than to improve the legal basis. On the contrary, the EU government was expected to improve and promote the foundation sector, private R&I funding and governmental policy. This tendency could be explained in the context of public trust. According to Eurobarometer (2010) Lithuania has one of the lowest indexes of trust in national government among EU countries – only 13 % of Lithuanians tend to trust the government. However, trust in the European Union in Lithuania appears to be one of the highest among EU countries – more than half of Lithuanians (64.6 %) tend to trust the European Union. Only Slovakia, Slovenia and Bulgaria have higher rate of trust in the EU than Lithuania. <sup>[20]</sup>

### **Motivations for and roles in funding research.**

Some government institutions have declared that the main reasons for choosing to support an innovation are the areas of priority set by the National Scientific Program and specific perceptions of innovation. This rather rigid approach was also criticised to some extent. The funding of international projects was mentioned as a priority. 'We give priority to joint projects from the Baltic region; for these projects we allow bigger overheads; however, if we give extra national funding, the EU decreases its funding for the project by the same amount. But we hope to find a solution to promote these projects in the future as well' MITA, Head of the Innovation Support and Technology Transfer Division.

According to the interview results, the role of the Ministry of the Economy in R&I is identified as fostering innovation through financial support. 'The Ministry sees support for business as an investment which should return as success in the market. Funds could be a good way to make this return happen' Head of the Innovation Policy Division, Ministry of the Economy.

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20 Eurobarometer 73.4: Financial and Economic Crisis, the Future of the European Union, Globalization, and European Citizenship, May 2010.

The private ISM Foundation maintains strong partnerships with ISM alumna and business companies, and identifies its role as initiating or substituting other support. R&I funding is also perceived as an investment. 'We work with many private companies; we try to explain the need for research and innovation private funding, etc. Our foundation depends on the money we get from alumna, private donors and companies. The budget is growing every year, probably due to the growing visibility and image of ISM. We will probably never reach the US level, but we are happy that a philanthropic culture is growing. The motivation is to keep talented people in Lithuania and to attract talented students to our companies, thus maintaining our good image' ISM, Director for Strategic Development.

As mentioned previously, the Soviet mentality is identified as the key factor impeding R&I funding, as legacies from this mentality affect government as well as business and industry decision-making. 'The main thing to be changed is the Soviet mentality-based approach of industry towards research. The requirements for projects should be focused on results and quality, not quantity. At present there are too many quantitative requirements for researchers (number of publications, etc.), and insufficient attention to the quality of research results' ISM, Director for Strategic Development.

The need for a change in mentality and perception throughout the R&I funding arena was strongly emphasised. Being a private school of management, ISM has demonstrated a mixed foundation/business approach towards R&I funding and foundations.

The role of the Ministry of Education and Science in R&I is regarded as that of strategy designer and priority identifier. Innovation is regarded as an important priority for support; however, in fact, funding for 'development' exceeds 'innovation' both in respect to area coverage, and funding allocation. 'Since the Ministry as a funder cannot replace foundations, it should first of all act as a political developer of the foundation sector in general. It should develop a relevant political background, a favourable legal environment and transparency mechanisms, as well as develop and stimulate innovative funding schemes to be implemented by foundations supporting R&I' Director of the Department of Higher Education, Science and Technology, Ministry of Education and Science.

The Ministry has been regularly communicating with the business sector in order to encourage both the sectors to work together. Unfortunately, the level of understanding of the importance of cooperation was found by the interviewees to be limited in the business sector. The arguments for this included: 'A lack of adequate leadership by and the wrong mentality in the Heads and Boards of private companies; striving for "easy" money instead of willing to take a risk for better results in the future, and a very important aspect – neglecting contemporary global issues' Director of the Department of Higher Education, Science and Technology, Ministry of Education and Science.

Representatives from private institutions emphasised the importance of cooperation and public private partnership in fostering the development of foundations. Cooperation is important in all sectors, and in R&I in particular. 'In our case, cooperation includes: experts, money, participation in exhibitions and other events, and the sharing of project ideas. We've been working with universities for their benefit in particular' Director, Business Angels Fund I.

Public-private partnerships should be developed. State and private initiatives should share responsibility for R&I funding. Funding should be identified as an investment with some reward, not specifically economic, but also social. It should be a system, a mechanism where all sides have an interest in the reward and eventually in funding' ISM Director for Strategic Development.

'Currently, R&D and R&I investment/ funding is ad hoc. Funding cannot be sporadic; it has to be consistent as well as being overall "development" strategy and policies. Lithuanian institutions and agencies also lack consistency in their level of administration, management, decision-making etc.' Director, Business Angels Fund I.

'A joint program initiative is one the way to foster a foundation culture. The EU may end up providing funding for private foundations focused on R&I, and this could be a very effective initiative. The Lithuanian government cannot invest in private organisations as this is prohibited by law for the prevention of corruption' LMT, Director of the Science Policy and Analysis Department.

Nevertheless, the Ministry declared its attempts to promote PPP, although the above mentioned specific business mentality was identified an obstacle. "... the Ministry plans some initiatives to foster PPP, to engage business in collaboration with research. However, there are still some issues of trust related to PPP, as business is sometimes reluctant to disclose its ideas. Therefore, it is especially important to create an atmosphere of trust and transparency. It is also very important to understand that successful PPP depends on what the research can offer and how it matches business needs. No other motivation could work in this field' Head of the Innovation Policy Division, Ministry of the Economy.

Some solutions to improve the current situation were suggested by the representative from private institutions.

'There should be a system involving three main participants – researchers who conduct research, government and business that fund research, and foundations that distribute funds. However, there should be a motivation system for everyone, for example international visibility for researchers, financial awards for business, etc. Only when all three groups have the right perception of the problem, then the situation will start to change. Only after changes in mentality are changes in the system possible' ISM Director for Strategic Development.

Nevertheless, when speaking about future potential, the interviewees shared a rather positive attitude towards Lithuanian universities, talented young scientists and innovative young businessmen. In general, the representative from the risk-capital foundation sounded much less optimistic compared to the other interviewees and/or individuals, who we talked to informally about R&D, R&I, funding, the foundation sector etc. The research funding practices that stand out in Lithuania at present are specified as being in a period of growth. 'In the future it should be either successful public-private partnerships involving foundations or innovative projects and initiatives that have had a significant impact. Everything depends on changing mentality and education programs in all areas' ISM, Director for Strategic Development.

The private foundations also emphasised that a foundation's autonomy is a relevant factor for its develop-

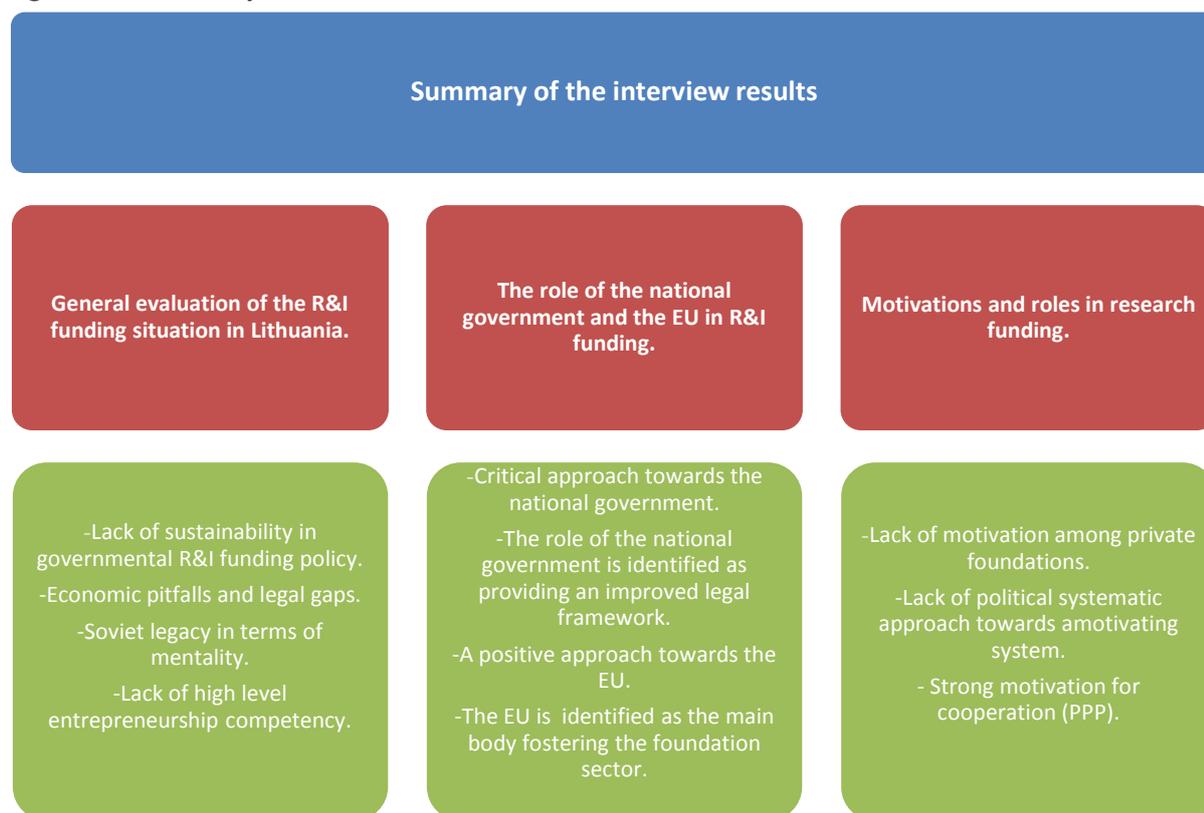
ment. 'Foundations must have as much autonomy as possible in their activities just to keep responsibility for the final result. I think this could foster the development of the foundation sector in different regions' ISM, Director for Strategic Development.

To sum up the results of the in-depth interviews, at least three main problems in the current R&I funding situation in Lithuania are apparent:

- Policy level: lack of sustainability.
- Regulation level: legal gaps.
- Individual level: legacies of the Soviet mentality, etc.

It is relevant to note that the same issues were mentioned by both governmental and private stakeholders. On the other hand, research funding practices that stand out in Lithuania are often specified as being innovative projects and initiatives that have had a significant impact. This study revealed that in the private sector with the help of the Lithuanian government there have been some new start-ups which have a vision of establishing a foundation for research and innovation and returning the rewards to R&I.

**Figure 3: A summary of the interview results**



# 4 Innovative Examples

The selected innovative examples present innovative projects or initiatives and projects introducing new products and technologies that to some extent engage the public interest in science and research. Unfortunately there are few typical examples, and just one of them is a true foundation (the Nextury Ventures Fund). However, it was established so recently (at the end of 2013) that no good practice policy is apparent. Other innovative examples are mostly start-ups that were funded by national and EU governmental funds.

## Innovative example 1

The Nextury Ventures Fund is a new venture capital fund established by the prominent international entrepreneur Ilja Laurs in partnership with Mindaugas Glodas, an ICT business executive. Nextury Ventures was launched in December, 2013. It invests in early-stage start-ups and new fast growth and high potential value ideas. The foundation cooperates closely with Lithuanian business and technical education institutions, investing in smart and talented people with innovative ideas and with a commitment to turn them into fast-growing and value-adding businesses. The online information below describes the Fund's advisory capacity and the content of its current portfolio.

A network of executive advisers and a constantly growing network of mentors helps the Fund and its portfolio companies and projects to plan the best strategies and to find solutions to operational challenges both in Lithuania and internationally. It focuses on creating shared value that benefits its investors, its portfolio companies' founders and employees, as well as other stakeholders, the environment, and society in general.

The Fund's advisors come from various business sectors such as the media, finance, and other development areas. The advisors are either heads of organisations and/or departments. They are professional human resource experts and promoters of innovation. One of them is a former bank CEO, another a former dean of an international university based in Lithuania.

The Fund's portfolio so far consists of a couple of initiatives:

- a) CheapData (CDC) [www.cheapdata.com](http://www.cheapdata.com). Foreign business and leisure travellers benefit from the use of mobile data communications to receive emails and to use online navigation and local search tools. Data roaming is usually expensive and the cost is difficult to control. The majority of users only use voice roaming and keep data roaming disabled reserved for emergencies. CDC offers a solution for affordable and easy to control data roaming services without a need to switch SIM cards or for any additional devices. Cheap Data Communications was established with one single goal in mind: to create the most convenient mobile communications solution for travellers.

- b) Dalinuosi.lt [www.dalinuosi.lt](http://www.dalinuosi.lt) This is a web platform enabling members to rent various items from each other. The platform offers a wide choice of items ranging from cars, sports equipment, cameras and their accessories etc., and ensures a much broader choice than typical rental offices. The project helps build a closer-knit community that is willing to share items rather than just buy them. This fast-growing peer-to-peer rental service with many innovative additional services is to be launched shortly.

‘Using private funds gives us the luxury of working on demand and to the highest quality. We could spend hundreds of millions of Euros, but at the moment there is no such demand in Lithuania,’ said the Fund’s founder Mr. Laurs.

The Fund plans in a year’s time to invest in about ten start-ups. These start-ups do not have to be companies or other legal entities. Around 50 % of the start-ups in the Fund’s portfolio will be teams developed by the founder and his team of advisers. The other 50 % will be the so-called professional start-ups or, in other words, start-up companies managed by experienced professionals.

Mr. Laurs says that in Lithuania it is quite difficult to find start-up companies in which the Fund can invest. The reasons are simple: inadequate ideas, too big expectations, and a failure to cooperate between teams of young and ambitious people. Therefore, the plan to invest in 10 start-ups per year sounds ambitious. However, the founder and his advisers are going to look not for teams but for ideas worth investing in. Having found an idea worth an investment, the Fund will help create an appropriate team.

The Fund intends to actively cooperate with scientific and educational institutions. In the future, the Fund promises to invest in other countries in the region, primarily in Latvia and Estonia. Furthermore, the Fund’s founder says he will use his acquaintances in the U.S., and thus attract more private venture capital to Lithuania. Furthermore, when Lithuania is ready for the investment market, the founder might help the country to attract funds such as the Excel Funds that can invest tens of millions of dollars in a single company.

## **Innovative example 2**

Brolis Semiconductors Ltd is a high-tech company with its headquarters in Vilnius, Lithuania. The company was established in 2011 by the three Vizbaras brothers: Augustinas, Kristijonas and Dominykas, who specialise in long-wavelength semiconductor lasers and molecular beam epitaxy. The company offers funds for industrial Master’s and Bachelor’s thesis projects that complement their R&D strategy. [www.brolis-semicon.com/lt](http://www.brolis-semicon.com/lt)

Brolis Semiconductors is a member of the following organisations: AHK Deutsch-Baltische Handelskammer (the German Chamber of Commerce in Lithuania) and SPIE, the International Society for Optics and Photonics.

Brolis Semiconductors cooperates with top-ranking scientific institutions around the globe. The main partners include: the Walter Schottky Institute and Technische Universität München, Germany. The strongest bonds are with the Semiconductor Technology Group at the Walter Schottky Institute, which specialises in research into III-V molecular beam epitaxy and long-wavelength optoelectronics. Brolis Semiconductors is a spin-off company from Prof. Amann's group.

Brolis Semiconductors is backed by the growth capital fund LitCapital to pursue its product development and growth strategy. LitCapital is a growth capital fund, established in cooperation with the European Investment Fund in 2010 under the JEREMIE initiative. The Fund's size is EUR 25 million and aims at investing in SMEs in Lithuania. The Fund also aims at long-term investment in the authorised capital of private enterprises seeking faster growth and expansion. Investment in one company ranges from EUR 1 million to 3 million.

The Fund's team has a strong record of backing the growth of companies in the high-tech, IT and other sectors.

Currently, the company has implemented a couple of projects supported by the EU Structural Funds. One of the projects covers the expansion of the Brolis R&D facility. The EU is to fund 46 % of the total project's cost. The total budget is estimated to be around EUR 1.6 million.

The expansion of the R&D facility will include additional clean room space and will focus on the development of Brolis long-wavelength laser diodes, with a particular emphasis on reliability and yield optimisation.

### **Innovative example 3**

The funding measures 'Intellect LT' and later 'Intellect LT+' aim at encouraging national companies to invest in innovative research and technological development (RTD) as part of the action plan for economic competitiveness and economic growth. These measures were established by the Ministry of the Economy under Priority 1: 'Research and development for competitiveness and the growth of the economy.' and are financed by the European Structural Funds.

### **Innovative example 4**

Biotechpharma is a biopharmaceutical contract development service provider. In their state-of-the-art R&D and manufacturing facilities they support different projects at any stage of development. Biotechpharma has a vision of establishing a research-friendly environment.

This is the first centre of its kind not only in Lithuania, but also in Eastern Europe. In 2012 the company had nearly EUR 11 million-worth of preliminary agreements for biopharmaceutical services. The integrated science, study and business organisation 'Santara,' located in a scientific-industrial centre, invested a total of nearly EUR 17 million (of which about EUR 10 million was from the EU'S Structural Funds) in the company by 2012. Today the research centre employs over 50 highly qualified scientists, researchers, engineers and plant technicians.

The company was created in 2004, and in 2005 it became a member of the UK's Northway group, investing in healthcare and biotechnology. In 2007 Biotechpharma expanded its biopharmaceutical R&D laboratories and started to develop recombinant protein technologies. In 2011 a state-of-the-art biopharmaceutical R&D centre was opened to provide contract research and development services. In 2012 the cGMP-compliant biopharmaceutical manufacturing facility was established to produce biopharmaceuticals for preclinical, clinical (phase I-III) trials and commercial products. In 2012 the Ministry of Education and Science granted the company the status of private research institute.

Prof. Vladas Algirdas Bumelis is the Chairman of the Board of Biotechpharma and the President of Santara. He has served many years in global companies such as Sicor SPA, Sicor Inc. and Teva Pharmaceuticals in different senior management positions. Harold Paisner is Senior Partner at Berwin Leighton Paisner LLP, an international law firm based in the City of London and with other offices in Paris, Brussels, Berlin, Frankfurt, Moscow, Abu Dhabi, Dubai, Hong Kong and Singapore. He has experience in corporate finance, M&A and cross-border transactions. He is registered with the Paris Bar pursuant to the European Directive 98/5/CE and is also an honorary member of the Lithuanian Bar. Other members of the Advisory Board come from Switzerland and the U.S.

The R&D department consists of 14 laboratories designated for the research and development of protein structure, protein interactions, recombinant protein technologies and analytical methods. There are six PhDs and 25 researchers with Bachelor's or MSc degrees in molecular biology, biotechnology, genetic engineering, bioengineering, biochemistry and chemistry.

The technologically highly advanced cGMP facility is designed for protein drug product and drug substance production. The facility consists of clean rooms and complies with the latest cGMP standards of regulatory agencies. Biotechpharma offers not only development or production services, but also project management services, supported by professionals with extensive project management and execution experience. The new facility has the ability to deliver GMP projects on a wide scale for active pharmaceutical ingredient (APIs) manufacturing and to carry out the antiseptic formulation and filling of drug products. The facility has separate microbial and mammalian USP, DSP, formulation and filling lines which are equipped with utilities and critical systems for all their needs.

The quality assurance (QA) department's main goal is to ensure that the biopharmaceuticals are produced according to GMP requirements and are safe to be administered to patients.

# 5 Conclusions

## 5.1 Main conclusions

1. Despite having a long historical tradition of philanthropy Lithuania is now taking the first steps towards private funding in the R&I domain. Awareness of philanthropy in general and knowledge of different philanthropic models in particular are almost non-existent in Lithuanian society. This results in Lithuanian businesses not really understanding or being aware of the business benefits that different philanthropic models serve.
2. Contemporary R&I funding in Lithuania is mainly based on government funds. Private foundations are still very few and most of them have only been recently established. Nevertheless, the results of the survey revealed that most government foundations identify their role in the R&I domain as a complementary one, while emerging private R&I foundations stated their role as that of an initiator.<sup>1</sup> The quantitative research confirms the abovementioned issue, and indicates that government institutions agree about the deficit and need for a developed foundation sector in Lithuania. It can therefore be assumed that private initiatives are welcome in this field.
3. Nevertheless, the statistics concerning Lithuania in the R&I domain indicate challenging facts and figures. According to a university and business collaboration indicator, <sup>[21]</sup> Lithuania is ranked 12th place in the EU Member States. Although the situation is improving, cooperation between businesses and academic and research institutions is still unproductive. According to the Global Innovation Index 2013, Lithuania is ranked 40th place out of 142 countries and Lithuania's Innovation Efficiency Index is also relatively low (105th out of 142 countries around the world). However, based on the same Index, Lithuania has highly qualified human resources. Lithuania is ranked 20th place according to education indicators. However, the potential for scientific knowledge, creativity, entrepreneurship and innovation is still underexploited. According to a new Innovation Performance Index in 2013, Lithuania is among the least (the last but one) reaching country in the EU. According to the 2013 EU Index on innovation's impact on the economy, Lithuania is ranked last place in the EU.
4. The current R&I funding situation was strongly criticised by various stakeholders in this domain. The qualitative analysis indicates that the main barriers against the development of the foundation sector and private R&I funding in Lithuania are as follows:
  - Unsustainable and insufficient R&I policy, which demonstrates contradiction between and overlapping of roles and functions at the responsible institutions (Ministries), confusion of concepts, a lack of integrated R&I funding strategy, legal and systematic shortfalls etc.
  - An insufficient legal foundation, which does not give sufficient incentive for potential investors.
  - A Soviet legacy in terms of mentality (both in businessmen and politicians), which results

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<sup>21</sup> Global Competitiveness Report 2013-2014.

in a lack of an appropriate perception of R&I, exceptional sympathy towards natural science, and a need for high-level managerial and entrepreneurship skills.

- Economic factors; a lack of big capital that forces businesses to refuse risky investments. Private foundations are too focused on supporting fragmented social or cultural issues which carry very low risk and guarantee instant results.
5. There are high expectations on the national government to improve the legal foundation and encourage private initiative in R&I funding. The EU is expected to provide fiscal facilities, to inform the R&I community about foundations and to provide relevant structures for the enhancement of collaboration. The EU has been also identified as the main body promoting the foundation sector in Lithuania, while the national government is often seen as being constrained by an inadequate legal system.

## 5.2 Strengths and weakness of the R&I foundation sector

### Strengths

- Lithuania has a huge sector of institutions of higher education which can generate massive research and innovation potential.
- High individual academic individual potential.
- The size of public support for the research sector.
- Science-based reform has started.

### Weaknesses

- Poor managerial and entrepreneurship skills.
- A specific post-Soviet mentality (in business, politicians and society).
- Extremely low patenting activity.

### Opportunities

- A niche for private R&I funding traditions.
- Development of cooperation between different sectors.
- Development of international cooperation between different regions.

### Threats

- The economic situation, lack of big capital.
- R&I policy.
- Insufficient emphasis on overall R&I policies.
- Absence of private foundations for R&I.
- The limited nature of relevant budgets is often a huge challenge.
- Constant cuts to R&D&I budgets.
- Insufficient size of business investment in applied research.

## 5.3 Recommendations

1. Regarding the current R&I situation in Lithuania, it is highly recommended to set up an integrated R&I funding strategy that involves stakeholders from various groups (the government, businesses, non-profits and individuals). When evaluating the current situation the government should put a general focus on the coordination between different Councils of Ministries that finance research and innovation, mostly through their various agencies or foundations. Designing financial mechanisms to boost private investment and multiply the effects generated by public funds would be also relevant.
2. To support the improvement of the overall innovation environment, including public policy, public participation, and the promotion of internationalisation and entrepreneurship.
3. The growth of direct foreign investment should be continued. An emphasis therefore should be put on public actions aimed at strengthening Lithuania's position as a place for business, on helping start-ups and knowledge-intensive companies in particular to become established in Lithuania, and on attracting entrepreneurial profiles and potential creators of international enterprises in cooperation with universities and business schools.
4. To focus on funding the continuous and sustainable development of innovation, starting with research and ending with a final product. Involving R&I stakeholders and businesses in drafting related strategic plans is also recommended.
5. Multi-level governance should be promoted to ensure the effective and efficient use of public resources. To this end the Lithuanian government should promote an integrated focus on result-oriented projects aimed at achieving the critical mass necessary to generate a real impact on the socio-economic situation.
6. It is very important that research institutions and funding agencies, as well as other stakeholders, are informed and become involved at an early stage as possible.
7. Since the Baltic countries are small, there would be obvious added value in cooperating more closely with the entire region; cooperation with grantgiving institutions (the Science Council, the ESF etc.) needs to be strengthened if the main objectives of R&I development are to be achieved.
8. A possible innovative role of the EU in Lithuania could be the setting and developing of measures focused on building awareness between R&I policy-makers, project evaluators and researchers, and demonstrating best practise examples of R&I funding in Europe.



Luxembourg Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Diane Wolter

Research and  
innovation



# **Luxembourg Country Report**

EUFORI Study

**Diane Wolter**

Banque de Luxembourg



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# 1 Contextual Background

## 1.1 Historical background

Luxembourg has traditionally adopted a ‘collectivist’ approach to philanthropy, where initiating and funding social progress is seen as the exclusive role of the Church and State. This has, until recently, been characteristic of one of two prevailing viewpoints in Europe. Some, mostly Northern European countries, such as the Netherlands and Scandinavia, have taken a more ‘liberal’ attitude that broadly welcomes private involvement in civic and social activities (within given limits); others, particularly neighbouring countries such as Belgium and France, but also Spain, whose societies have been shaped by the Napoleonic Code of civil law, have tended more towards Luxembourg’s viewpoint, discouraging independent action by private individuals and companies. <sup>[1]</sup>

A recently published book <sup>[2]</sup> provides extensive information about the dynasties of families who played an important economic, political, cultural and social role during the industrialisation period of the Grand Duchy of Luxembourg (1850-1900). These influential families – often lawyers, notaries, bankers, industrialists and property owners – were philanthropists, and paved the way for the setting up of Luxembourg’s foundations. Indeed, during this period, a distinction was made between the practice of charitable activities and the setting up of foundations to address social and educational issues neglected by the State and, on the other hand, the less common sponsorship of culture, with the constitution and the bequest of large art collections by philanthropists to public institutions. It is worth mentioning the charitable activities of the ‘Jeunes économes’ and the foundations set up to make up for the lack of schools (the Institut Emile Metz, now the Lycée Technique Privé Emile Metz), the lack of healthcare institutions (the Institut Norbert Metz, now the Fondation Norbert Metz – Clinique d’Eich) and the lack of accommodation (the Fondation J.P. Pescatore). Examples of sponsoring culture include the art collection of Jean-Pierre Pescatore, donated to the City of Luxembourg currently being exhibited at the Villa Vauban, and the collection Dutreux, which can be seen at the Musée communal des beaux-arts d’Ixelles in Brussels.

The development of the Luxembourg not-for-profit sector has gained momentum over the last twenty-five years. ‘Two-thirds of the associations have been created in the last twenty years.’ as reported in the 2010 study *Le secteur associatif au Luxembourg*, <sup>[3]</sup> which also states that almost 80 % of the still active foundations have been set up since 1989.

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1 Case Study: Promoting Philanthropy in Luxembourg. FSG Social Impact Advisors, wise partnership and Banque de Luxembourg.

2 Familien der Oberschicht in Luxemburg. Elitenbildung & Lebenswelten. 1850-1900. By Josiane Weber.

3 *Le secteur associatif au Luxembourg*, published in 2010 by CEPS INSTEAD. Accessed 10 July 2014 at: <http://www.benevolat.public.lu/fr/actualites/2010/06/oeuvre-nationale-seours/secteur-associatif-luxembourg-etude-ceps.pdf>

A general trend is that, since the 1980s, European philanthropic activity has increased in countries from both traditions; the 'collectivist' and the more 'liberal' approach. Indeed, a series of legal reforms, including revisions to Foundation Law in Belgium (2002) and in Spain (2003) and improvements to tax benefits for donations in Italy, Germany, France and Spain, among others, have had an encouraging impact on European private founders and donors, either as individuals and/or as corporations. Until 2008, Luxembourg had not yet seen similar legal and fiscal changes.

It is worth noting that the Grand Duchy of Luxembourg is one of the most generous countries in the world, not only but also in terms of overseas development aid, contributing the highest proportion of the gross national income (GNI). According to the OECD's key metric, which is official development assistance as a share of the GNI, Luxembourg overtook Sweden in 2012, thanks to a rise in bilateral grants. <sup>[4]</sup> As part of a government plan, Luxembourg had made a commitment to keep its development assistance as a share of the national income at around 1 %.

## 1.2 The legal and fiscal framework

Open discussions about and around philanthropy in 2008, initiated by the Symposium 'Seizing the opportunity for philanthropy in Luxembourg,' <sup>[5]</sup> and organised by the Banque de Luxembourg as one of several initiatives in order to contribute to the systemic development of philanthropy in Luxembourg, had an inspiring influence and a positive impact on the Luxembourg foundation landscape. As a result of these discussions, major legal changes were adopted in 2008, the fiscal treatment for donations was doubled as of 2009 and the Fondation de Luxembourg, the only sheltering foundation in Luxembourg, was set up and began its operational activities in 2009.

The legal and fiscal framework of Luxembourg foundations is best described in the European Foundation Centre (EFC) document EFC Country Profile January 2011: Luxembourg, published on the EFC website. <sup>[6]</sup> Foundations are governed by the Luxembourg Law on Non-Profit Associations and Foundations of 21 April 1928 (hereafter referred to as FA), and amended in 1984, 1994, 2001, 2002 and 2008. <sup>[7]</sup>

According to the FA, only one type of foundation pursuing nonprofit or public benefit purposes, exists in Luxembourg. This Luxembourg nonprofit foundation can be set up either as a classical fundraising or distributing foundation, a company foundation, a sheltering foundation, an impact financing foundation or a shareholder foundation. However, private foundations with a public benefit purpose, as can be constituted in Belgium, cannot be established in Luxembourg.

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4 Sorry Sweden, Luxembourg is now the most generous country in the world. Accessed 4 August 2014 at: <http://qz.com/166298/sorry-sweden-luxembourg-is-now-the-most-generous-country-in-the-world/>

5 The Symposium 'Seizing the opportunity for philanthropy in Luxembourg' was organised by the Banque de Luxembourg as one of several initiatives in order to contribute to the systemic development of philanthropy in Luxembourg. Accessed 4 August 2014 at: [http://www.banquedeluxembourg.com/bank/en/bank\\_corporate-social-responsibility\\_engagement](http://www.banquedeluxembourg.com/bank/en/bank_corporate-social-responsibility_engagement)

6 EFC Country Profile January 2011: Luxembourg. Accessed 4 August 2014 at: [http://www.efc.be/programmes\\_services/resources/Documents/luxembourg.pdf](http://www.efc.be/programmes_services/resources/Documents/luxembourg.pdf)

7 Loi du 21 avril 1928 sur les associations et les fondations sans but lucratif, telle qu'elle a été modifiée. Accessed 4 August 2014 at: [http://www.mj.public.lu/legislation/asbl\\_fondations/2009\\_Loi\\_21\\_avril\\_1928.pdf](http://www.mj.public.lu/legislation/asbl_fondations/2009_Loi_21_avril_1928.pdf)

Luxembourg public benefit foundations are establishments pursuing aims that are philanthropic, social, religious, scientific, artistic, pedagogic, related to sports or in the field of tourism (art. 27.2 FA). Their purpose should be pursued using the assets dedicated to the foundation on its creation or later on.

The draft Law No 6054 <sup>[8]</sup> on Non-Profit Associations and Foundations, deposited in 2009, includes interesting but also controversial points, such as fixing the minimal endowment for a foundation to EUR 250 000 and the obligation for a foundation to have its annual accounts audited by an external auditor. Although this draft law has since been publicly discussed as well as criticised, there has been silence surrounding it during the last four years. As it has not been voted on since, the existing Luxembourg Law on Non-Profit Associations and Foundations of 21 April 1928 as amended is still valid and serves its purpose well.

According to the FA, state-approved foundations are by definition bodies of public interest pursuing public benefit purposes. As such, they are exempt from income tax.

Foundations are not allowed to pursue any for-profit activity, including any trading activities. This means that foundations are not allowed to sell items nor to invoice for services provided, if done on a large scale. Gifts and inheritances received by foundations are subject to a donation or inheritance tax, normally at a reduced rate of 4.8 or respectively 4 %. This tax does not apply to gifts or legacies by bequest that have established the foundation. Furthermore, gift tax is only due on registered gifts.

The tax treatment of individual donors is generous. Since 1 January 2009, donations from individuals and legal entities are eligible for a tax benefit that has doubled (up to an annual 20 % of the taxable net income of the donor or a maximum of EUR 1 000 000). These amounts are high and are meant to encourage larger donations.

### 1.3 The foundation landscape

The Luxembourg not-for-profit foundation sector includes a total of 230 foundations (as of 31 December 2013), all of which are governed by the Luxembourg Law of 21 April 1928 on Non-Profit Associations and Foundations, as amended, and are registered with the Registre de commerce et des sociétés, Luxembourg. A closer look at this list shows that 95 foundations can be eliminated from this study as they have either been wound up, merged, transformed or have ceased their activities. As a consequence, 135 active public benefit foundations exist in Luxembourg as of 31 December 2013.

Since 9 January 2009, the Luxembourg foundation landscape has been enriched by the Fondation de Luxembourg, a sheltering public benefit foundation set up by the Luxembourg State and the Œuvre Nationale de Secours Grande-Duchesse Charlotte. <sup>[9]</sup> Its mission is to promote private philanthropic commitment by

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8    [Projet de loi No 6054 sur les associations sans but lucratif et les fondations](http://www.chd.lu/wps/PA_RoleEtendu/FTSByteServletImpl/?path=/export/exped/sexpdata/Mag/015/861/081640.pdf). Accessed 4 August 2014 at: [http://www.chd.lu/wps/PA\\_RoleEtendu/FTSByteServletImpl/?path=/export/exped/sexpdata/Mag/015/861/081640.pdf](http://www.chd.lu/wps/PA_RoleEtendu/FTSByteServletImpl/?path=/export/exped/sexpdata/Mag/015/861/081640.pdf)

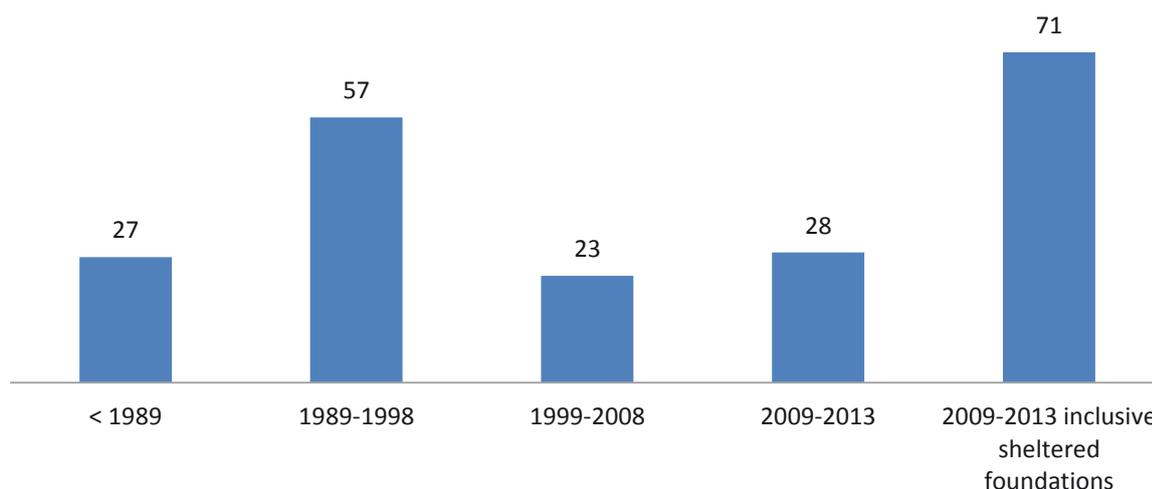
9    [Statutes of Fondation de Luxembourg](http://www.fdlux.lu/sites/fdlux.lu/files/Acte%20de%20-Constitution%20Fondation%20de%20Luxembourg.pdf). Accessed 4 August 2014 at: <http://www.fdlux.lu/sites/fdlux.lu/files/Acte%20de%20-Constitution%20Fondation%20de%20Luxembourg.pdf>

enabling sheltering foundations to be set up under its aegis. This structure has the same advantages as a foundation with its own legal entity, but greatly simplifies the incorporation process. Since its incorporation, the Fondation de Luxembourg has facilitated the setting up of 43 sheltered foundation (as of 31 December 2013) with four foundations having a complete and/or partial focus on R&I activities.

It is interesting to look at the dynamics of the registration of Luxembourg foundations. In terms of numbers of Luxembourg foundations, one can emphasize that 80 % of the active 135 incorporated foundations were created over the last twenty-five years (a total of 107), with an average of four to five foundations set up every year. Recent years have seen the same average number of new foundations, with a peak in 2009 (six foundations) and a lower number in 2013 (four foundations). The low figure for 2013 needs to be considered together with the fourteen new sheltered foundations which were set up in 2013 under the aegis of the Fondation de Luxembourg.

The period of 1989-1998 was by far the most dynamic period with the highest number of foundations being set up, followed by the last five years (2009-2013). If sheltered foundations, made possible by the setting-up in 2009 of the Fondation de Luxembourg, are added, the period 2009-2018 will definitely exceed the period 1989-1998 in terms of new foundations being created.

**Figure 1: The dynamics of the registration of Luxembourg foundations**



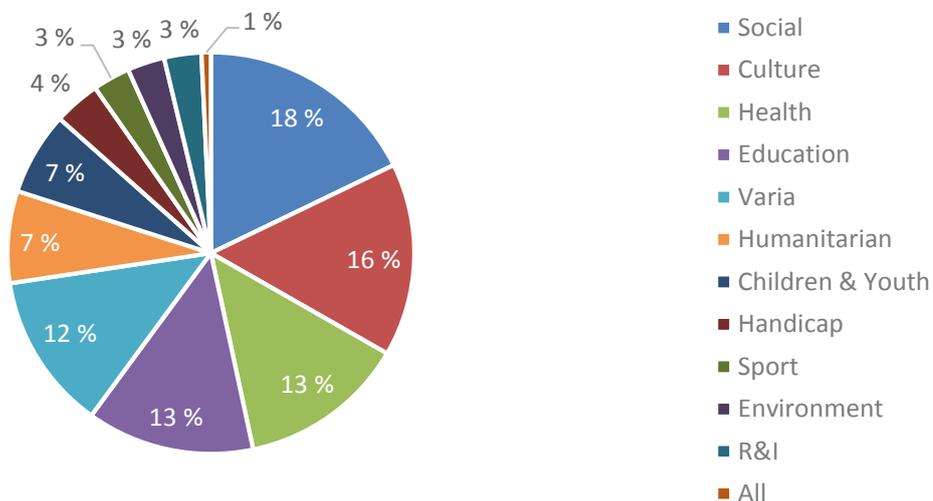
Source: Mémorial C, Recueil des sociétés et associations, Luxembourg and Fondation de Luxembourg Annual Report 2013

The vast majority of the active 135 foundations support charitable activities in the Grand Duchy of Luxembourg, in Europe or elsewhere, serving a broad range of purposes, from the advancement of arts, culture or education, to the relief of those in need, to healthcare or the saving of lives and much more. Out of these 135 foundations, only 15 foundations include research and/or innovation in their purpose and their activities.

Among these fifteen Luxembourg foundations, only four foundations support mainly research and/or innovation activities; one was created in the late 1980s and is financing medical research, whereas the three more recent foundations support either finance research in monetary economics or support the promo-

tion of research and/or innovation activities. The remaining eleven Luxembourg foundations have R&I as one of their core activities. This means that less than 50 % of their annual expenditure is allocated to R&I. The main core of the activities supported by Luxembourg foundations are illustrated in the following pie chart. The most ‘popular’ areas of activities (more than 10 %) are Social, Culture, Health and Education, followed by Humanitarian and Children and Youth purposes. Disabilities, Sports, the Environment and R&I attract the interest of just a few Luxembourg foundations.

**Figure 2: The core activities of the 135 active Luxembourg foundations**



Source: Mémorial C, Recueil des sociétés et associations, Luxembourg

## 1.4 Research/innovation funding in Luxembourg

Since the 1980s, research and development (R&D), and innovation have been political priorities for successive Luxembourg governments. Significant investment has been made to promote the development of R&D and innovation in both the public and private sectors.

In the 1980s, several R&D structures were set up including Luxinnovation (the National Agency for Innovation and Research in Luxembourg in 1984); three Public Research Centres (CRPs) between 1987 and 1988: CRP-Gabriel Lippmann, CRP-Henri Tudor and CRP for Health, and in 1989, the Centre d’Etudes de Populations, de Pauvreté et de Politiques Socio-Economiques/International Network for Studies in Technology, the Environment, Alternatives, Development (CEPS/INSTEAD).

The framework Law for Economic Development and Diversification was passed in 1999 and led to the establishment of the National Research Fund (the Fonds National de la Recherche), which supports researchers and public research activities. The government, formed after the general elections of 1999, stressed the importance of research and innovation by increasing the budgetary resources made available to the sector and established a Ministry of Research, responsible for public research. Indeed, Luxembourg public investments in private and public R&D, increased between 2002 and 2012 from EUR 47.8 million to EUR 280 million and, as a percentage of the GDP, increased from a little more than 0.10 % to close to 0.70 % of the GDP. <sup>[10]</sup>

10 FNR Annual Report 2012. Accessed 4 August 2014 at: <http://www.fnr.lu/en/Publications/Annual-Reports>

2003 was the year of the establishment of the fully-fledged University of Luxembourg, the first and only university of the Grand Duchy of Luxembourg. In ten years, this multilingual, international, research-oriented university set up three faculties (Science, Technology and Communication; Law, Economics and Finance, and Language and Literature, the Humanities, Arts and Education) and two interdisciplinary centres (the Centre of Security, Reliability and Trust and the Luxembourg Centre for Systems Biomedicine). It offers 11 bachelor degrees, 29 master degrees and doctoral studies based on the Bologna Accords. Finally, research is possible in five high-priority research areas (International Finance; Security, Reliability and Trust in Information Technology; Systems Biomedicine; European and Business Law and Education and Learning in Multilingual and Multicultural Contexts), in twelve research units and has six endowed chairs and three doctoral schools. Relevant for the EUFORI study is that 430 students are enrolled on a PhD program out of which 330 are doctoral students with both student and employee status.

The government also encourages the establishment of centres of excellence based on public-private partnerships. This approach is based on the experiences of the work on technology clusters with the formation in 2002 of the Luxembourg Materials Cluster and the Luxembourg ICT Cluster; the Luxembourg Space Cluster in 2003; the Luxembourg BioHealth Cluster, the Cluster for Logistics and the Luxembourg Maritime Cluster in 2008 and, finally in 2013, the Luxembourg Automotive Cluster.

Example of a public-private partnership: the BioHealth cluster <sup>[11]</sup>

Launched in 2008 by the government and supported by a EUR 140 million public funding program, the BioHealth cluster started a strategic partnership with three world-renowned US research institutions which has led to the:

- creation of the Integrated Biobank of Luxembourg (IBBL),
- establishment of the Luxembourg Centre for Systems Biomedicine (LCSB) and
- discovery of potential biomarkers for lung cancer.

The government initiative aims to enhance synergies between research and innovation players in Luxembourg by encouraging the coordination of research activities and promoting researchers' inter-sector mobility. These synergy efforts will be visible through the concentration of activities in the City of Sciences, Research and Innovation in Belval, where a technological campus which favours public-private cooperation will be established. CRP-Gabriel Lipmann, which has merged with CRP-Henri Tudor into the Luxembourg Institute for Science and Technology, CEPS/INSTEAD and the Luxembourg Centre for Systems Biomedicine at the University of Luxembourg (the House of Biomedicine) are the first public research organisations which have already located their activities there.

In 2012, the creation of the Max Planck Institute Luxembourg for International, European and Regulatory Procedural Law contributed to the diversification of R&D activities.

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11 Accessed 4 August 2014 at: <http://www.luxinnovation.lu/Services/Luxembourg-Cluster-Initiative/Luxembourg-BioHealth-Cluster>

The four foundations focusing on R&I do not have a common recognisable organisational charter. However, most of them cooperate either with other not-for-profit organisations or act as a complementary source of support of public and private research or researchers.

Referring to figures published by the Ministry of Research, R&D expenses amount to EUR 626.3 million, which is equivalent to 1.46 % of the Gross Domestic Product (GDP) for 2012. The R&D expenses can be divided up as follows:

- Companies: EUR 429 million, ~ 68.5 % of total expenditure and 1 % of the GDP
- state sector: EUR 120.1 million, ~ 19.2 % of total expenditure and 0.28 % of the GDP
- higher education: EUR 77.2 million, ~ 12.3 % of total expenditure and 0.18 % of the GDP.

In order to conform with the objectives laid out by the 'Europe 2020' Strategy, the government has undertaken to achieve between 2.3 % and 2.6 % of (private and public) expenditure on GDP. <sup>[12]</sup>

According to the publication of the Innovation Union Scoreboard 2014, <sup>[13]</sup> Luxembourg is qualified as an Innovation Follower. Its performance relative to the EU has declined from almost 120 % in 2009 to 117 % in 2013. The relative strengths are in international scientific co-publications, community trademarks, venture capital investments and community designs. Luxembourg performs well below the average for non-R&D innovation expenditure and new doctorate graduates. Strong growth has been observed for international scientific co-publications, most cited scientific publications and R&D expenditure in the public sector. Sharp declines have been observed in non-R&D innovation expenditure, the sales share of new innovations and R&D expenditure in the business sector.

Most foundations supporting R&I choose projects which have a link to the Grand Duchy of Luxembourg, either in financing research carried out in the country or supporting a Luxembourg researcher working in Europe, or making funds available for the Luxembourg part of an international study.

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<sup>12</sup> Horizon 2020. New European Framework Programme for Research and Innovation (2014-2020). Accessed 9 July 2014 at: <http://www.innovation.public.lu/en/financer-projets/programmes-europeens/horizon2020/index.html>

<sup>13</sup> Regional Innovation Scoreboard 2014, published by the European Union. Accessed 4 August 2014 at: [http://ec.europa.eu/news/pdf/2014\\_regional\\_union\\_scoreboard\\_en.pdf](http://ec.europa.eu/news/pdf/2014_regional_union_scoreboard_en.pdf).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

There are 135 active Luxembourg foundations recognised as having public benefit status.

As there is no centralised foundation database in Luxembourg, the only way to identify the Luxembourg foundations supporting R&I was to look up every single registered foundation. This R&I focus can be found in the objectives (or purposes) of the foundations, as mentioned in the deposited statutes at the Registre du Commerce et des Sociétés and published at the Mémorial C, Recueil des Sociétés et Associations. If available, a cross-check with the foundation's internet site or with publicly available data was carried out by the author. A list of all the active foundations was created and nineteen foundations (including four sheltered foundations <sup>[14]</sup>) were selected.

## 2.2 The survey

The questionnaire was sent out by ordinary mail to the nineteen foundations with a cover letter explaining the aim of the EUFORI Study and how to fill out the questionnaire online. In order to increase the response rate, the author personally contacted by phone or by email a representative of the foundations which did not provide information online. Seven foundations filled out the questionnaire online and two foundations filled out the questionnaire manually, returning it to the author who entered the data online. Out of the nineteen foundations receiving the questionnaire, four sheltered foundations had to be excluded, as the sheltering foundation replied for all of them in its own answer. In addition to this, the following five foundations showed no interest in participating in the EUFORI Study: the Fondation Recherche sur le Sida; the Fondation Faune-Flore; the Fondation Kiwanis, Luxembourg; the Fondation Européenne des Fondations and the Max Planck Institute Foundation Luxembourg. One foundation replied, but the answers could not be used.

As the participating foundations were, in terms of operations and funds available for R&I, the most important foundations, their responses were found to be representative for the eligible foundations.

## 2.3 The interviews

In order to have a sample of the interviewed foundations as large and diverse as possible, the author chose to conduct interviews with the following selected foundations:

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14 A sheltered foundation is an umbrella foundation established under the aegis of the Fondation de Luxembourg, the only sheltering foundation in Luxembourg. Sheltered foundations have no legal entity on their own but depend on the legal entity of the sheltering foundation.

1. One large <sup>[15]</sup> operating/grantmaking foundation which has as one of its main activities (approximately one third of its budget over time) the support of research projects and which is almost entirely privately funded: the Fondation Cancer.
2. One large operating/grantmaking foundation whose exclusive mission is to support research and which is almost entirely funded by private means: the Fondation de Recherche Cancer et Sang.
3. One large sheltering foundation, which has sheltered foundations under its aegis supporting mainly and/or partially research and innovation and which are exclusively privately funded: the Fondation de Luxembourg.
4. One grantmaking corporate foundation, established by the management of a State-related entity and which supports research and innovation: the Fondation de la Banque Centrale du Luxembourg.
5. One 'market-oriented' grantmaking and newly established foundation engaged in bridging the gap between fundamental research, applied research and 'go private' activities: the Fondation Ouverte pour la Construction de l'Avenir du Luxembourg.
6. One small foundation focusing on the promotion and the development of young researchers in Luxembourg: the Fondation Jeunes Scientifiques Luxembourg.

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15 A large foundation by Luxembourg standards (i.e. large means an annual budget of EUR 2 million).

# 3 Results

## 3.1 Types of foundation

Out of the nine participating foundations, five can be qualified as operating foundations, while four are grantmaking foundations. These grantmaking foundations are exclusively privately funded and are partly supporting R&I.

Four out of the nine foundations have no employees on their payroll, whereas five foundations are operating foundations and have a total of 42 FTE employees on their payroll.

Out of the nine participating foundations, none are exclusively financed by the State, three are partially financed by the State and partially financed privately, but the majority of the foundations (six) are exclusively privately funded.

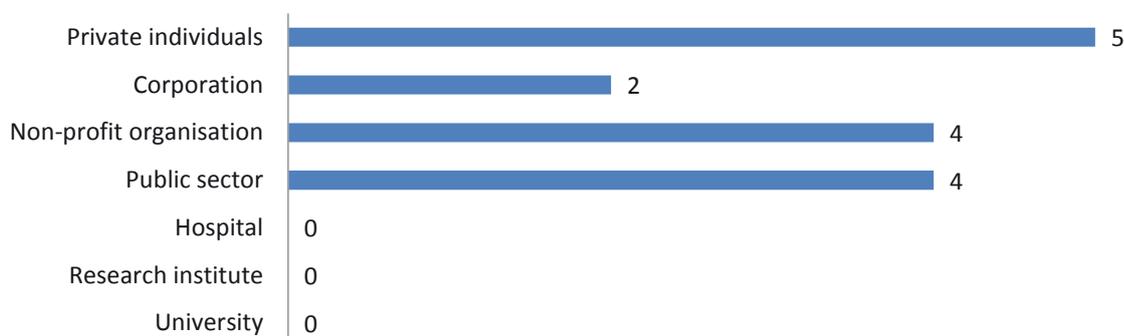
The majority of the participating foundations (six) partly support R&I; less than 50 % of their budget is allocated to R&I.

## 3.2 The origins of funds <sup>[16]</sup>

### 3.2.1 Financial founders

The majority of the nine foundations were set up and financed by individuals and corporations in the private sector [7/9] and/or by not-for-profit organisations [4/9] and/or the public sector [4/9]. No universities, research institutes or hospitals have been set up as foundations in Luxembourg.

**Figure 3: The financial founders of nine foundations (several answers possible)**



Source: Data collection EUFORI Study

16 All foundations refer to their annual accounts of the calendar year of 2012.

Bar one, all the foundations take their strategic direction from a Supervisory Board or a Board of Directors (the Directors are volunteers and are not paid).

### 3.2.2 Income

#### Total income

Although foundations are required by law to publish annual accounts, only a small majority [5/9] answered this question. Where data were missing the author looked up public information. As this information is not available for individual sheltered foundations, the sum of all the sheltered foundations set up under the aegis of Fondation de Luxembourg has been considered.

Statistics on income (data for 2012)	
Number of foundations	9
Mean income in Euros	1 896 884
Median income in Euros	192 759
Total income in Euros	17 071 952

EUR 0-100 000: 4 foundations

EUR 100 000-1 000 000: 1 foundation

> EUR 1 000 000: 4 foundations

#### Sources of income

Most foundations were set up with an endowment in the form of money [4/5], securities [2/5] and/or property [2/9]. Patents and proceeds from privatisations were not mentioned as part of an endowment. The four foundations with an annual income of over EUR 1 million use their endowment and their fundraising capacity to generate their total annual income. This is also true for the foundation with a total income of between EUR 100,000 and EUR 1,000,000.

With the exception of one foundation, which is exclusively funded by income from its endowment, the three remaining foundations, with a total income of below EUR 100,000, use their fundraising capacity to generate income.

Three foundations answered that they receive income from government subsidies and grants. The foundations receiving governmental support do not distribute these funds but use them for their own operational work. The three foundations which receive an annual income from the government, receive it in the form of the equivalent of salaries of foundation's staff being 'conventionné' (employees, scientists etc.). The three foundations answering this question said that the government has no influence over decisions made about the allocation of funds for R&I.

### 3.2.3 Assets

As with the data on annual income, the author had to look up public information on four foundations' assets. For the sheltered foundations, this information is only available as the sum of all the sheltered foundations (the Fondation de Luxembourg). The table below contains information for eight foundations and the Fondation de Luxembourg.

Statistics on assets (data for 2012)	
Number of foundations	9
Mean assets in Euros	5 801 909
Median assets in Euros	1 948 634
Total assets in Euros	52 217 179

EUR 0-1 000 000: 3 foundations

EUR 1 000 000-10 000 000 Euros: 4 foundations

> EUR 10 000 000 Euros: 2 foundations

Bar one foundation out of the five answering foundations, the other four foundations responded that they have more than 50 % invested in long-term securities.

## 3.3 Expenditure

Total expenditures

The same nine foundations were examined for their total income and total expenditure.

Statistics on expenditure (data for 2012)	
Number of foundations	9
Mean expenditure in Euros	858 024
Median expenditure in Euros	173 526
Total expenditure in Euros	7 722 215

EUR 0-100 000: 4 foundations

EUR 100 000-1 000 000: 1 foundation

> EUR 1 000 000: 4 foundations

Out of the nine foundations, one newly created foundation intends to spend 100 % on innovation, three foundations spend more than 60 % of their 2012 expenditure on R&I activities and the remaining five foundations consider R&I as a minor activity and spend less than 25% of their expenditure on R&I issues.

## Research

Eight foundations only or partially support research. With the exception of one foundation, which has a dedicated research team, the other seven foundations only or partially supporting research prefer to grant funds to selected projects or students.

Example of a sheltered foundation under the aegis of the Fondation de Luxembourg granting scholarships to promising graduate students.

Two PhD students at the LCSB, Julia Becker-Kettern and Kathrin Hemmer, are recipients of the 2013 Pélican stipend. This grant is awarded by the Fondation du Pélican de Mie et Pierre Hippert-Faber under the aegis of the Fondation de Luxembourg, and is meant to help students of the University's Doctoral School of Systems and Molecular Biomedicine with expenses that are not covered by their research grant.

This was the first time since the creation of the award three years ago that two of the three grants went to students at the Luxembourg Centre for Systems Biomedicine (LCSB). 'I feel honored to be awarded this grant,' said Julia Becker-Kettern, who works in Carole Linster's Enzymology and Metabolism laboratory. 'I am planning to spend some of the money to visit conferences and workshops. The remainder of the funds will allow me to generate some transcriptomics data in collaboration with EMBL.' Kathrin Hemmer, who is a graduate student in Jens Schwamborn's Development and Cellular Biology laboratory, will use the funds not only to travel to conferences but also to participate in a CLARITY workshop held in Karl Deisseroth's lab at Stanford University in California. CLARITY is a process where an entire mouse brain is rendered transparent with its three-dimensional complexity of fine wiring and molecular structures remaining completely intact. The third grant was awarded to Susanne Reinsbach from Iris Behrmann's lab at the University's Life Sciences Research Unit. She will use the funds for study visits to the A.I. Virtanen Institute for Molecular Sciences in Finland and to the ISB in Seattle, where she will perform analysis and integration of high-throughput data to identify mechanisms that contribute to the development of melanoma skin cancer. <sup>[17]</sup>

## Innovation

Only three foundations dedicate funds to innovation: one newly created foundation allocates its entire budget to innovation; one foundation has decided to split its budget equally between research and innovation; and one last foundation has a very small proportion attributed to innovation.

Three foundations support innovation, particularly in two areas, namely proof of concept projects and studies, conferences and awards on innovation.

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17 Accessed 17 September 2014 at: [http://www.fr.uni.lu/index.php/lcsb/news\\_events/two\\_lcsb\\_students\\_receive\\_pelican\\_award\\_2013](http://www.fr.uni.lu/index.php/lcsb/news_events/two_lcsb_students_receive_pelican_award_2013)

## Expenditure trends

R&I spending tends to be stable or has increased over the last year (2012). No foundation stopped or decreased its R&I expenditure in 2012.

R&I expenditure was expected to remain stable or to increase in 2013. No foundation intended to stop or to decrease its R&I expenditure in 2013.

## 3.4 Focus of support

### 3.4.1 Beneficiaries

The R&I beneficiaries of grants belong mainly to research institutes but are also individual beneficiaries. The large majority of foundations prefer to support R&I projects or individuals (researchers, PhD students) who have a direct or indirect connection with Luxembourg (research material and/or activities in Luxembourg, promoting and outspreading of research in Luxembourg, Luxembourg researchers working abroad).

### 3.4.2 Research fields

The foundations focused their support on the following research themes, listed in decreasing order of importance:

- Medical science [7/9]
- Nature science [4/9]
- Engineering and technology [3/9]
- Social science [3/9]
- Human science [2/9]
- Agriculture science [1/9]

### 3.4.3 Research-related activities

The four answering foundations financed the following research activities:

- Dissemination of research [4/4]
- Information and equipment [3/4]
- Scientific communication [3/4]
- Civic mobilisation and cause defense [3/4]
- Mobility of researchers [2/4]

When asking which project has been the most successful, the President of the Fondation Cance highlighted two useful and international projects by Prof. Dr. Martine Piccart, Professor of Oncology at the ULB, Brussels, Director of the Medicine Department at the Institut Jules Bordet, Brussels, and author and co-author of over 250 peer-reviewed international publications, with a key interest in breast cancer research.

An example of recent large financial support by a grantmaking foundation <sup>[18]</sup>

In order to support a worldwide research program on breast cancer research, the Fondation Cancer handed out, on 3 July 2014 a cheque of EUR 1 266 155 to Professor Martine Piccart and Serge Schmitz of 'BIG Against Breast Cancer.'

The Breast International Group (BIG) is a non-profit organisation for academic breast cancer research groups, based in Brussels. Its mission is to facilitate breast cancer research at an international level by stimulating cooperation between its members and other academic networks, and collaborating with, but working independently from, the pharmaceutical industry. The actual research program is 'AURORA,' a large multinational and multicentre molecular screening program, aimed at women with metastatic breast cancer. The objective is to be thoroughly characterised at the molecular level with the aim of better understanding disease clonal evolution and the mechanisms of resistance and sensitivity to therapy.

## 3.5 The geographical dimensions of activities

### 3.5.1 Geographical focus

When questioned about the geographical aspect of their R&I activities, the nine foundations answered as follows:

- Four out of nine devote their R&I expenditure exclusively to Luxembourg.
- One out of nine devotes its R&I expenditure only to the European Union.
- Two out of nine devote their R&I expenditure mainly to Luxembourg.
- One out of nine splits its R&I expenditure between Luxembourg, the European Union and the rest of the world.

Foundations operating in other EU countries do not encounter difficulties when doing so.

### 3.5.2 The role of the European Union

In the opinion of Luxembourg foundations, the preferred role of the EU should be to:

- contribute to awareness-raising of foundations [4x]
- collaborate with foundations on projects [3x]
- provide a legal framework [2x] and
- provide a structure to enhance collaboration [2x].

The two following EU roles were perceived by foundations as being unnecessary: investing in an information infrastructure via databases and evaluating projects from foundations.

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18 Retrieved on 4 August 2014 from <http://cancer.lu/fr/1266155-EUR-pour-la-recherche-sur-le-cancer-du-sein>

### 3.5.3 Contribution to European integration

Seven out of nine foundations consider that their activities contribute to European integration on research issues and five out of nine foundations consider that their activities contribute to European integration on educational issues.

## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

Bar one, all the foundations take their strategic direction from a Supervisory Board or a Board of Directors. The mandates of the Governing Board members are all on a voluntary basis. The members of the Governing Board are not entitled to receive any kind of remuneration or payment of money or other material benefit from the Foundation.

### 3.6.2 How do grantmaking foundations support research?

Only one foundation, spending about 30 % of its income on R&I activities, has extensive public information available <sup>[19]</sup> on its decisional structure (an advisory Scientific Committee and a decisional Board of Directors) and procedure, its evaluation and selection criteria as well as its follow-up procedure of supporting research projects. A complete list of all the sponsored projects since the foundation's creation (1995-2013) is available online: 30 projects worth more than EUR 5.3 million have been financially supported by private fundraising. The support varies from EUR 8 000 for a one-year project to EUR 880,000 for a two-year project.

The remaining foundations do not adhere (systematically) to such a transparent policy for supporting financially research projects.

Two out of three foundations are involved in the implementation of the projects which it funds.

Three foundations consider themselves as grantmaking foundations and have the following profile. They tend to wait for applications from third parties with no active calls for proposal. They prefer 'medium' to 'small' grants to multiple organisations/individuals with no active calls for proposal over 'large' grants to a few organisations/individuals. It is common practice for grantmaking foundations to require evidence of how grants have been spent after the funded projects have been completed. Evaluations to assess whether a grant was successful and why it was successful are sometimes done. There was no clear cut opinion from the respondents as to whether to support an organisation only once. Support from foundations is mainly agreed on a medium-term basis.

### 3.6.3 Engagement in partnerships

Five out of nine foundations develop joint research activities in partnership with others in the field of R&I, all of them with universities, four with research institutes, three with hospitals, three with the government and two with other not-for-profit organisations. No joint research activities are carried out with private companies.

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19 Accessed 4 August 2014 at: <http://www.cancer.lu/fr/recherche>

The five foundations engaging in joint research partnerships in the field of R&I do so to increase their impact but also to pool money due to lacking the necessary funds and for pooling expertise and/or sharing infrastructure.

### 3.7 The role of foundations

#### **The role of Luxembourg R&I foundations, as seen by Luxinnovation**

According to a representative from Luxinnovation, the role of Luxembourg R&I foundations is now, and may in the future continue to be, limited to the role of a contributing partner, especially in terms of providing financial means. These resources will potentially remain small compared to the large sums available to public (European) funding available, i.e. in the 'Europe 2020' Strategy.

The role of Luxembourg foundations supporting R&I, as seen by the Fondation Cancer. As the President of the Fondation Cancer recently wrote in its quarterly publication 'Info Cancer,' <sup>[20]</sup> foundations prefer to finance research projects that are of direct benefit to patients and are not commercially profitable (i.e. projects enhancing the quality of life of patients without the outcome of a new drug). Foundations also favour sponsoring small research projects which do not qualify for public support or university funding.

Financing research equipment, especially if useful to the entire national community, is viewed as another preferred area of support by the same Foundation. It has decided to devote financial support to the acquisition of a microscopy platform to watch a living cell in real time and, more recently, is co-sponsoring the 'Cyberknife M', which enables the robotic treatment of patients in radiotherapy. This more precise and patient-sparing radiotherapy technique is also much quicker.

Public institutions consider foundations supporting R&I as a minor contributing partner. However, they should not underestimate R&I foundations with their limited financial private resources and their sparse management structure. Indeed, these foundations are very selective and efficient in choosing and financing projects that directly benefit organisations which are not commercially profitable, are too small to qualify for public support and are adventurous in their approach.

With less public funding available in the near future, R&I foundations will be asked more and more to play a more important role in supporting R&I activities in Luxembourg.

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20 Info Cancer No. 75. Accessed 4 August 2014 at: <http://www.cancer.lu/publications/info-cancer>.

# 4 Innovative Examples

## Innovation by being open-minded

One interview was conducted with the President of the Fondation de Recherche Cancer et Sang, a 100 % operational research foundation which employs 21 FTE and raises EUR 1.5 million annually, mainly during a national fundraising event. Its long-standing President, a haemato-medical oncologist, founded the original association in 1976 after receiving cash from the husband of a young patient who had succumbed to cancer.

The President admits that (Luxembourg) foundations' budgets devoted to medical science are small compared to pharmaceutical companies' budgets. This means that researchers have to concentrate on niches in fundamental and applied research (i.e. molecular biology).

When asking what he considers most important in the area of research he mentioned 'serendipity' (a 'happy accident,' a 'pleasant surprise' or a 'fortunate mistake'). Researchers have to ask questions, work hard, be patient and be open to results one does not expect. In reality 'one searches for something and one finds something else.'

The article which was most cited is not a scientific article but a science enhancing article 'The very-last-minute slide' published in The Lancet on 30 April 1994.<sup>[21]</sup> This article is about a technique for preparing slides which can be changed at the last minute.

## Innovation through cross-border activity

Another interview was conducted with a representative from the Fondation de Luxembourg, the only Luxembourg sheltering foundation. As of the end of 2013, four out of 43 sheltered foundations have supported research projects (research with an university and a public research centre) or have financed fellowships. These sheltered foundations are not exclusively supporting research projects. The C. Ehrnrooth Foundation, set up under the aegis of the Fondation de Luxembourg, has established the Ehrnrooth Fellowship with the purpose of granting scholarships to international fellows. This is an example of an innovative foundation with an international edge: a Luxembourg sheltered foundation has granted fellowship to two doctors, one from Syria and one from Uzbekistan, engaged in post-graduate neuro-surgery studies at the Clinic of Neurological Surgery at the Helsinki University Hospital.

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21 'The very-last-minute slide,' by M. Dicato, G. Mahon, The Lancet 343 (8909), 30 April 1994.

### **Innovation with scarce resources**

The interview with representatives from the Fondation de la Banque Centrale du Luxembourg shed light on the activities of the still young Foundation, namely the organisation of conferences on financial stability, the prize for the best annual thesis on financial stability, as well as the grant for visiting scholars at the Luxembourg Central Bank. As the Foundation does not have its own staff and limited resources, some of the Luxembourg Central Bank staff members have to juggle their daily work and the Foundation's work, not an easy task but an enriching experience.

### **Innovation with an entrepreneurial spirit**

Speaking with the President of the Fondation Ouverte pour la Construction de l'Avenir du Luxembourg (FOCAL), he revealed that although there is wide support for research projects and a great deal of public financial support available, there is no funding available for converting research results for small-scale projects into sustainable projects. The research field ranges from health and bio-medical to the ITC, engineering and industrial sectors. As the Foundation is still young, it is looking to identify its first successful project, which is not an easy task. Indeed, the process of choosing the first project is strewn with pitfalls and the selection criteria have to be multi-faceted, combining pertinence of the research results and entrepreneurial sustainability.

Once a first decision is taken, it will be easier to show this project to the public and potential donors in order to attract new donations for more financial support.

### **Innovation with a young spirit**

The last interview was conducted with an employee from the Fondation Jonk Fuerscher. The objective of the Young Scientists Foundation is to raise interest and create a taste for research among young people between 12 and 21 years of age. The research areas covered range from natural science to the humanities. The main ambition of the Foundation is to encourage young people to carry out extra-curricular scientific and technical activities, which will prove both their scientific curiosity and their perseverance. To achieve this, the association has been organising since 1971 the annual national Young Scientists competition, which gives young people the chance to win awards and present their work at an international competition.

The only employee of the foundation, financed by the State through the Fonds National de la Recherche, is looking for private funding (i.e. awards by other foundations and/or service clubs) to increase the activities of his foundation. Lately, he has been successful in attracting private and corporate donors supporting individual prizes.

## Innovation by public-private partnerships

Example of a public-private partnership: the BioHealth cluster <sup>[22]</sup>

Launched in 2008 by the government and supported by a EUR 140 million public funding program, the BioHealth cluster started a strategic partnership with three world-renowned US research institutions which has led to:

- The creation of the Integrated Biobank of Luxembourg (IBBL).
- The establishment of the Luxembourg Centre for Systems Biomedicine (LCSB).
- The discovery of potential biomarkers for lung cancer.

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22 Accessed 4 August 2014 at: <http://www.luxinnovation.lu/Services/Luxembourg-Cluster-Initiative/Luxembourg-BioHealth-Cluster>

# 5 Conclusions

## 5.1 Main conclusions

Given Luxembourg's 'collectivist' approach to philanthropy (according to the FSG Social Impact Advisors, wise partnership, published by Banque de Luxembourg) and the improvements in the legal and fiscal philanthropy framework since 2009, Luxembourg-based donors and founders are slowly becoming more active, particularly in setting up (sheltered) foundations.

In the research and innovation field, public funding, made available by the State, also through its research centres and the University of Luxembourg, is by far the main source of R&I funding. Public human resources and the funds available for R&I activities are paramount compared to the small resources at the disposal of a few active foundations supporting R&I activities.

Indeed, since the 1980s, and especially during the last six years, the State has made significant efforts both in human resources and financial terms, to diversify the Luxembourg economy and to build a knowledge-based society.

Accordingly, there should be more foundations supporting R&I activities and they should evolve in a favourable context to become actively operational or grantmaking foundations. However, this will not happen at the snap of a finger, but is part of a longer educational and promotional process.

Although a few courageous foundations are exceptions to the rule (i.e. the Fondation Cancer, the Fondation de Recherche Cancer et Sang, the Fondation du Pélican de Mie et Pierre Hippert-Faber and the C. Ehrnrooth Foundation, both set up under the aegis of Fondation de Luxembourg), there is unfortunately neither an important increase in the numbers of stand-alone public utility foundations being set up, nor a craze for choosing R&I activities as a foundation's mission.

Fortunately, the increasing number of sheltered foundations being set up under the aegis of the Fondation de Luxembourg provides a glimmer of hope.

## 5.2 The strengths and weaknesses of the R&I foundation sector in Luxembourg

Fortunately, the few foundations playing an active role are very successful in fundraising for R&I, raising awareness of the importance of research in the general public, being accountable for private donors and companies, venturing new ideas, buying equipment for a whole community, and taking the risk to support projects neglected by pharmaceutical companies and the State.

As there are few funds available for R&I foundations compared to public R&I funding, philanthropists often hesitate to choose R&I as their field of support as they have a sense that their financial contribution may not 'make a difference' in R&I. Indeed, making a difference is often considered by philanthropists as a major ambition, whatever field they have chosen to support.

## 5.3 Recommendations

A win-win situation could be achieved if the State and State-funded institutions would consider foundations with their private funds and resources as complementary, flexible and innovative partners, albeit with more limited financial resources. Indeed, these foundations are very selective and efficient in choosing and financing projects that are of direct benefit to beneficiaries, that are not commercially profitable, too small to qualify for public support and have a venture approach. We can imagine that one day R&D expenses will be allocated by the Ministry of Research to foundations, as well as companies, the State sector and higher education.

We can also imagine that the positive and mediatised examples of (sheltered) foundations supporting R&I will inspire other donors and foundations to do the same.

With less public funding available in Luxembourg in the near future, nonprofit Luxembourg foundations, set up either by private or corporate donors in the form of a public benefit foundation or as sheltered foundations, will be increasingly asked and willing to play a greater role in supporting R&I activities. Indeed, the private sector (in the form of donations and bequests) and the third sector (in the form of supporting researchers and R&I projects) have to meet their responsibilities and will be consulted more and more and have a greater influence on decisions in the R&I field. So, Luxembourg foundations are destined for a seat at the table of R&I decisions taken in Luxembourg.

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Malta Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Richard Muscat

Research and  
innovation



# **Malta Country Report**

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**Richard Muscat**

University of Malta



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# 1 Contextual Background

## 1.1 Historical background

The islands of Malta and Gozo today host a population of some 420 000 individuals, which is akin to a small city in Europe, and occupying a space of some 316Km<sup>2</sup>. However, due to their geographical position in the centre of the Mediterranean Sea, the islands have been host to a number of outsiders for thousands of years, and thus have a rich history related to these occupiers over the years. Malta obtained independence from British rule 50 years ago this year, and 40 years ago it became a Republic. In addition, 2014 will also herald 10 years of Malta's accession to the EU. Malta's GDP is around EUR 7 billion and the GDP per capita is at around EUR 21 000 (Eurostat (21 March 2013)).

## 1.2 The foundation landscape

Foundations per se have been in existence for a number of years in Malta, and were in essence a result of what may be termed continental law. They have operated in Malta for sometime now foundations in terms of their recognition through doctrine and recorded case law dating back to the 1930s, in that they have been recognised as having the status of legal persons and have been mentioned in various legal provisions. However, foundations per se were only codified in the existent Laws Of Malta in the 2007 amendments, which became operational on 1 April 2008.

## 1.3 The legal and fiscal framework

The 2007 amendments to the Civil Code were based on principles of the Companies Act and in large take their essence from Italian and French civil code provisions. Thus, a second schedule to the Maltese Civil Code, the foundation provisions, were enacted as part of Cap 16 of the Laws of Malta. Moreover, as part of this exercise the Voluntary Organisation Act was also put in place to complement the amendments to the civil code. Organisations such as NGOs may now obtain legal status if they are voluntary, nonprofit making or fulfill a social purpose. A foundation, on the other hand, must be constituted by a public deed or a public or secret will and is subject to a minimal endowment. The deed also needs to be registered with the Registrar of Legal Persons within the Public Registry. The following must be provided for in the Deed of Foundation:

Name of the foundation, registered name, purposes or objectives. Constitutive assets, composition of the Board of Administrators, legal representation and in the case of a private foundation, the names of the beneficiaries.

In general, since 2008 foundations that have been registered are those that serve some purpose; social, charitable or philanthropic, and are therefore public foundations.

It is of interest to note that in the case of public foundations registered as voluntary organisations, that

they may benefit from local tax exemptions if they adhere to the conditions of the Voluntary Organisation Act, and in principle they are not for profit making. The income tax regulations of 2010 treat foundations as companies domiciled and resident in Malta, and hence as is the case with companies, a tax rate of 35,% is applicable. Beneficiaries, in addition, will also be subject to the same as is the case of shareholders of a company. Foundations may also apply for tax a regime that is synonymous to that of Trusts.

## 1.4 Research/innovation funding

‘Research and innovation policies are the responsibility of the Ministry for Education and Employment. Within the framework of the Ministry, the Malta Council for Science and Technology (MCST) is the body responsible for developing, implementing and managing research and innovation policy and the national funding programme. Malta Enterprise, which answers to the Ministry of Economy, Investment and Small Business, is the national development agency responsible for supporting the private sector and operates a number of research and development (R&D) schemes. Malta’s research landscape is relatively small with one public university, the University of Malta, which is the main research performer in the higher education sector, and one public research organisation, the Malta Aquaculture Research Centre. There are four public funding organisations in Malta: the Ministry for Finance, which allocates institutional funding to the University of Malta and government departments; the Planning and Priorities Coordination Division within the Ministry for European Affairs, which manages the allocation of EU structural funds, the MCST, which manages the national research and innovation programme and the Commercialisation Programme and Malta Enterprise, which manages a combination of national funds and EU structural funds.

The National Research and Innovation (R&I) Strategy 2020, which was adopted in February 2014, outlines Malta’s R&D priorities between 2014 and 2020. It identifies eight areas for smart specialisation and aims at promoting the ERA objectives. The National R&I Strategy will be complemented by an R&I Action Plan, which will identify specific measures and timelines up to 2020 for achieving the objectives outlined in the National R&I Strategy. The National R&I Strategy will also be implemented through the Technology Development Programme (formerly known as the National R&I Programme), which provides R&D grants.

In terms of R&I funding, the Government Budget Appropriations or Outlays for Research and Development (GBAORD) in Malta represented EUR 49 per inhabitant in 2012 (EUR 179 in EU-28). In 2013, GBAORD per inhabitant was EUR 46. In 2012, total GBAORD corresponded to 0.7 % of total government expenditures and 0.3 % of Gross Domestic Product (GDP)(Eurostat).

The analysis of the evolution of GBAORD in the period during the economic crisis (2007-2012) shows that in nominal terms, the growth rate of total GBAORD in Malta has been higher than the growth rate of the total EU GBAORD. GBAORD as a share of GDP has evolved positively in Malta even when it declined from the EU-28 level’. ([http://ec.europa.eu/research/era/era-progress\\_en.htm](http://ec.europa.eu/research/era/era-progress_en.htm))

As can be ascertained from the above, it would appear that the only exception per se is the government-funded body known as the Malta Council for Science and Technology, which was enacted by a Deed of Foundation in 1995. The Council's primary responsibility is to advise the government on science policy, but over the past 10 years it has received some EUR 1.2 million per year from the government to fund its research and innovation projects. This project requires both university and local firms to form a consortium and submit a grant proposal that requires both research and innovation to be the central component. The proposals are reviewed by a panel made up of local and overseas experts, and on average six projects are selected each year.

In 2012 the total expenditure on research and development amounted to EUR 62.4 million, and this accounts for 0.91% of the GDP, which is an increase from 0.67 % in 2010 and 0.73 % in 2011. The main contribution is from the business enterprise sector, which accounts for 58 %, a decrease from 66 % in 2005, and also from 59 % in 2010. This is followed by the higher education sector at 33.4 %, and then government sectors at 8.6 %. What is of interest is that Malta falls into the category of modest innovators as far as the latest EU innovation score board is concerned, and ranks 22nd position out of the 28 EU countries. In truth, this is a result of a better performance in terms of the indicators that relate to output rather than firms' activities, or for that matter enablers. Therefore, some understanding can be made of the above figure in relation to the largest contribution to R&D being from the business sector. However, this is mainly due to the fact that most of Malta's business R&D is carried out by a small cluster of foreign-owned companies; for example, 43 % of R&D is performed by US-owned companies. Thus:

'Most local funding comes from the business sector, which in 2012 financed 47% of total R&D with government providing most of the rest. Private non-profit funding for R&D is negligible. Cross-funding between sectors is very low, with businesses largely funding their own research and central government providing funding for public research and higher educational institutions'. (Malta country report – ERA watch. Country overview): [http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country\\_pages/mt/country?tab=country&country=mt](http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/mt/country?tab=country&country=mt)

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

In light of the enactment of the Voluntary Organisation Act in 2007, and due to the fact that those public foundations as per the foundation regulations of 2008 which allows them to register as such, an approach was made to the Commissioner for the Voluntary Organisations. The Office of the Commissioner provided the database of all the registered voluntary, organisations which included a number of public foundations. The list consisted of some 800 voluntary organisations and a number of foundations. We then approached the Registrar of Legal Persons Office in the office of the Public Registry, and a list of 150 foundations was provided. In addition, for cross reference purpose both lists were compared.

The list of 150 foundations was in turn forwarded to EUFORI for the purpose of the short online survey. The short questionnaire and a letter introducing the survey were sent to all 150 foundations via the email addresses provided. A second letter was also sent to those that had not answered the first call.

Due to the fact that the initial starting point was some 800 or so voluntary organisations, which was shortened to a list of 150 registered foundations and then cross-checked with the former, it became clear from the survey that 10 foundations are actually involved in funding research and innovation.

## 2.2 The survey

As stated above, 150 foundations which are registered with the Public Registry received the short version of the questionnaire by email with an accompanying letter from EUFORI. The total number of foundations answering was 37, out of which nine indicated their support for research and innovation. The final numbers were attained following further reminders from EUFORI. Moreover, of the nine foundations that said they supported R&I, only two completed more than the first section of the questionnaire. Thus, the overall results reported here are somewhat limited, but suggest that this kind of activity is still a novelty for Malta.

## 2.3 The interviews

Following the survey, an informal interview was conducted with the CEO of the Research, Innovation and Development Trust (RIDT) cited at the University of Malta, and which will be further outlined in Section 4 below.

# 3 Results

## 3.1 Types of foundation

Of the nine foundations that responded in the affirmative to their support for research and innovation, most are of operational nature in that they fund projects to achieve their foundation's goals. Therefore, these types of foundation are both private and public, and one in particular is an offshoot of one of the largest private locally-owned companies, Farsons, which implements projects in accordance with its corporate social responsibilities.

## 3.2 Origins of funds

As stated above, one of the foundations, Farsons, obtains its funds through its for-profit corporation, whereas the others obtain their funds through nonprofit organisations and government funds. All the foundations, as required by law, are governed by a Board of either elected members or appointed members. Only two of the nine foundations, namely the Malta Business Bureau and the Farsons Foundation, which responded to the question about R&I involvement, provided financial figures totalling EUR 630 000. One foundation, the Malta Business Bureau, claimed R&I to account for the bulk of the income, namely 95 %. The total assets of both these foundations giving these responses to such are around EUR 50 000, which are in the form of cash representing 100 % of their assets.

## 3.3 Expenditure

The total expenditure of the foundations that did respond are around EUR 700 000, of which 50 % is spent on research in the form of grants or sponsorships. This reflects overall a major increase from the previous year, but in the following year it would appear that there will be a slight decrease, but still significantly up on previous years.

## 3.4 Focus of support

Most support is provided for the social and behavioural sciences in the form of science communication and education, the humanities and history. An example of a larger foundation is the Malta Business Bureau, which is the executive arm of the Malta Business Foundation, as outlined below”

‘The Malta Business Bureau (MBB 1996) is a non-profit organisation acting as the EU-business advisory office for the Malta Chamber of Commerce, Enterprise and Industry, and the Malta Hotels and Restaurants Association (MHRA).

The MBB is run by the Malta Business Foundation (MBF) which is made up of six senior officials representing Malta Chamber and MHRA. This year, Mr. Mario Spiteri - an entrepreneur

- was nominated President of the Bureau. The organisation is based in two countries, the Head-office in Malta and a Representation-office in Brussels.

The MBF provides strategic direction to the MBB. Over the past fifteen years of service, the results have been remarkable, taking into account the requirements of Maltese businesses and the need for a direct channel linking them to the various EU institutions that are responsible to initiate proposals for a number of wide-ranging policies.

The MBB liaises directly with its counterparts both locally and abroad, including the European Commission, the European Parliament, the Maltese Permanent Representation in Brussels and other international business organisations such as BUSINESSEUROPE, EUROCHAMBRES and HOTREC on all policy and funding issues affecting Maltese business interests.

MBB sign a business-academia collaboration agreement:

The MBB and the Institute for European Studies within the University of Malta concluded an agreement that will make it possible for students to obtain credits through traineeship programmes with the MBB. The collaboration between the MBB and the Institute for European Studies has been successfully evolving over the past two years resulting into a mutually-beneficial relationship now culminating into a formal agreement signed by MBB CEO Mr Tanti and Institute for European Studies Chairperson Prof. Roderick Pace. This partnership will provide invaluable opportunities for European Studies undergraduate students to gain a practical and professional experience.

Second-year students of the Institute will have the possibility to choose the traineeship as an elective study unit during their second semester. The MBB executive team will mentor students on an individual basis and assist them in developing and enhancing practical knowledge in the area of European affairs. At the end of the traineeship, an assessment of each individual will be determined by a board of examiners on the basis of a logbook held by each student constituting of all the work done during the traineeship programme, in addition to a report drafted by their mentor' (MBB Annual Report, 2012).

A further example provided here is that of the second foundation which provided information on expenditure, namely the Farsons Foundation, whose priorities are listed below;

'The Farsons Foundation was established in 1995 with the main objectives of promoting, diffusing and safeguarding of Maltese culture, heritage and social solidarity.

### **The aims of the Foundation are to:**

- Promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama.
- Contribute research projects and assist in the publication of studies undertaken by any

duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama.

- Provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama
- Contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity'.

A recent project carried out by this foundation was to sponsor a conference on Malta's Industrial Heritage held at the University of Malta, and the publishing of the proceedings of their conference with the title, 'Approaches to Industrial Heritage: What works?' in February of this year (2014).

### **3.5 Geographical dimensions of activities**

These are mostly local initiatives as highlighted above by the two examples provided.

### **3.6 Foundations' operations and practices**

The management of foundations is conducted by the Board of Governors, and the day-to-day to management is apparently done by employed staff. Most of the functions of the foundations are complementary, and thus support ongoing activities.

# 4 Innovative Examples

As can be gleaned from the responses to the survey, whereby nine foundations are involved with R&I, it is apparent that the funding of research via this mechanism is a relatively new activity in Malta. In addition, it would also appear that these organisations complement ongoing activities and are mainly responsible for raising funds. Hence, in order to facilitate the development of this field, in April 2011 the University of Malta launched a trust fund called the 'Research, Innovation and Development Trust' (RIDT), for which the government provided EUR 0.5 million seed capital. The role of the trust is to attract funds from both private and corporate bodies to further research efforts here in the 14 faculties, and also to foster the commercial exploitation of this research. Thus, the Trust provides an avenue for foundations that raise funds and want to conduct research in a specified field, but do not have the resources for what they want to achieve. It is worth noting that in 2013 four foundations approached the RIDT with a request to conduct research in the medical field and for the required funds to do so. Two of these were the Life Cycle Foundation, which has been donating funds to the renal unit based in the only State-run hospital in Malta, and the Breast Cancer Foundation. Both of these have been able raise funds through activities related to sponsored bike rides that take place over a number of weeks around the world. So this year for the very first time two grants of EUR 70 000 and EUR 50 000 were forwarded to the RIDT for the University to conduct research in the renal and cancer fields – this in effect is the first time that funds have been directed to research. Again, it must be emphasised that these are as yet early days, but it would appear that the Trust seems to be working in the way it was intended, and is providing a mechanism through which the emergent foundations may fulfill their obligations to funding R&I.

# 5 Conclusions

## 5.1 Main conclusions

The overriding emerging factor from the first-ever survey to be conducted here in Malta on the role of foundations in research and innovation is the fact that this is a new activity. In general, voluntary organisations and foundations have been the means through which funds have been raised to conduct social responsibilities, such as assisting those less able in society, as well as activities related to the arts and the humanities. In effect these relate to more tangible outcomes that can be seen by everyone, and which can be attained in the short term for the benefit of society as a whole. It is a very different matter to provide funds for conducting research that may result in long-term benefits. It is akin to the difficulties in raising venture capital and also in raising capital from what is known as the 'business angel network'.

## 5.2 Strengths and weaknesses of the R&I foundation sector

In reality the R&I foundation sector here in Malta is in its infancy when it specifically comes to R&I funding for science. To some extent this gap for the time being is being filled by the so-called government foundation known as the Malta Council for Science and Technology.

## 5.3 Recommendations

The RIDT has been a brand-new initiative, through which foundations can provide funds for areas of R&I within their scope. As these are very early days, some success stories may provide the impetus through which they will indeed succeed. It should be pointed out, however, that research in any field is a long process, and both public and corporate organisations will need to understand and embrace the nature of this reality.



The Netherlands Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Barry Hoolwerf  
Danique Karamat Ali  
Barbara Gouwenberg

Research and  
innovation



# **The Netherlands Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 Historical background

Philanthropy, defined as private action for the public good, has a strong tradition in the Netherlands. Private initiatives have left their mark throughout the institutional landscape of the Netherlands. Illustrative of early philanthropic initiatives are the so called *hofjes*. These *hofjes*, which are homes for the elderly built around a garden, were established in the early modern period (c. 1500-1800), and some even date back to the Middle Ages. These *hofjes* still exist today and are a great example of early and current philanthropy in society (Schuyt et al. 2013). Today, the Dutch are still characterised by their willingness to contribute to public goals. It is estimated that around 85 % of the Dutch population donates money to charitable goals (Schuyt et al. 2013). In addition, within Europe, the Netherlands ranks among the top in terms of donations to nonprofit organisations (Bekkers 2012).

The Netherlands is home to the largest nonprofit sector in the world (Salomon et al. 2004). Many of these nonprofit organisations are legally known as a foundation. In the Netherlands, we have a broad understanding of what a foundation is. Most of these foundations are financed through revenue from taxation and social insurance (e.g. schools, hospitals, welfare organisations) (Burger et al. 2001; Gouwenberg et al. 2007). More in line with the international definition of a foundation are the so called *funds*. This subtype of foundation deals with transferring money from external (private) sources to public purposes (Burger et al. 2001; Gouwenberg et al. 2007). It is this subtype within the foundation sector that is the subject of this study, but we will use the word ‘foundation’, as this is used internationally.

The history of foundations in the Netherlands goes back centuries. It is generally understood that the roots of many contemporary foundations can be traced back to groundwork that was carried out by churches (Burger et al. 2001; Gouwenberg et al. 2007). Before World War II, many issues that are nowadays covered by the welfare state, such as caring for the poor, were once the domain of private initiatives, and the government only intervened if philanthropic initiatives failed to provide for the (basic) needs of society.

After World War II, the subsequent coalitions of political parties extended the field covered by public welfare provision. The aims of public policy in, for example, poverty reduction, surpassed the provisions arranged by the private initiatives. Also, as social welfare provision grew and became much more complex, this resulted in high coordination costs for different private initiatives. As a consequence, from the 1950s onwards, many private organisations received public subsidies and were in fact transformed into semi-governmental institutions (Gouwenberg et al. 2007).

At that time, private initiatives were organised by different societal and religious groups, the so-called ‘pillars’. It is important to understand that, due to the ‘pillar-structure’ of Dutch society, the government had to subsidise all foundations – from different pillars – equally. This resulted in a very large nonprofit sector; the Netherlands has the largest nonprofit sector in the world (Salomon et al. 2004).

As governmental support was given to foundations active in social welfare provision, churches and philanthropic foundations reassessed their role in society. Foundations that derived income from the proceedings of their assets started to expand their focus. Also, new (fundraising) foundations started to cover areas which were previously not accounted for by the government. For example, the largest fundraising foundations active in the field of health research were founded during this period. Foundations thus broadened their scope, and left classic social welfare provision to the government.

Nonetheless, the last 30 years has shown a renewed interest in classical areas such as social welfare, education and health. This development can be explained by drastic cuts and changes in government spending in these fields, which caused foundations to reassess their role in providing these services (Gouwenberg et al. 2007). Most recently, budget cuts in subsidies for culture and the arts were accompanied by an appeal by politicians to foundations to step in. It is, however, unknown what effect these budget cuts will have on the behavior of private donations to cultural goals (Bekkers and Mariani 2012).

Together with the withdrawal of the State, the last few decades have shown growth in the private wealth of individuals. Moreover, due to doubts concerning the recipients' benefits from huge inheritances (since there is a high tax burden on bequests), testators have chosen to set up a (family) foundation or a designated 'fund-on-name'. In these designated funds, one foundation or individual transfers the administration of their assets to a particular existing foundation with a specific use for the annual profits (Burger et al. 2001).

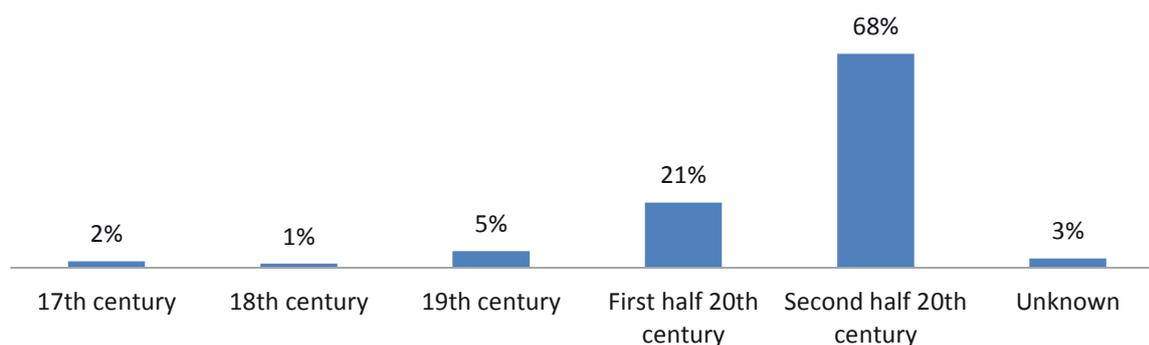
Nevertheless, although a picture of the historical developments of the foundation sector in the Netherlands can be outlined, it is much more difficult to do the same for foundations supporting research and innovation. Only fragmentary pieces of information are available. For example, we know that many universities were founded by private initiatives (Burger et al. 2001). Later on, after World War II, the scope of foundations diversified and expanded. This also resulted in an increase in institutions devoted to science, among other fields (Burger et al. 2001). However, many of these first initiatives – although still private foundations by law – were later on financed by the Dutch government. Recent budget cuts, however, have renewed the interest in foundations' support for research.

Universities can act as an example to illustrate these developments. Many of these organisations, once founded by private initiatives, nowadays largely depend on the distribution of government subsidies. It was only until recently that larger private foundations were, again, (in part) the focus of universities (and their corresponding foundations) to attract the financial means necessary to carry out research (Breeze et al. 2011).

In summary, if we look at the development of the foundation sector in the Netherlands over the last two centuries, three developments stand out. First, there has been a remarkable development in the number of philanthropic foundations. Second, the focus of these foundations has expanded and diversified enormously. A third development is that, due to the expansion and diversified focus of foundations, their original role of providing social welfare services for the poor has decreased, or at least relatively (Kingma and van Leeuwen 2007).

### Figure 1: Year of establishment of the foundations still existing today in the Netherlands

As a percentage of the total number of foundations, 2007.



Source: Kingma and van Leeuwen, 2007.

Unfortunately, it is not possible to draw a conclusive graph of the development of the foundation sector in the Netherlands. However, based on the information that is available from the Association of Funds in the Netherlands (FIN, see also section 1.3), the development of foundations in the Netherlands can be depicted as follows (see Figure 1) (Kingma and van Leeuwen 2007). This histogram shows that although there are a number of foundations that have existed for centuries, almost two thirds of the foundations that exist today were founded after World War II. Please note that these figures are about foundations that still exist today, as there are also a number of foundations that have ceased to exist and that many foundations – not included in this histogram – are church-based foundations, so Figure 1 only serves to gain an idea of the development of the foundation sector in the Netherlands (Kingma and van Leeuwen 2007).

## 1.2 The legal and fiscal context

In the Netherlands, it is relatively easy to start a foundation (*stichting*). The formal description of a foundation in the Civil Code is ‘a legal person, created by an act of law, not having members, making use of assets which are earmarked for a (legal) aim that is described in the statutes of the organisation’ (Civil Code, Book 2, Art. 285:1). The only restriction is that the aim cannot involve distributing profits to the founders of the foundation, nor to any other individuals or organisations involved in the activities of the foundation, unless these others use the profits for idealistic or social goals (Civil Code, Book 2, Art 285:3). Foundations must be registered with the Chamber of Commerce. If a foundation is not registered, the board members of that foundation are personally liable for any act of law carried out by the foundation.

Although foundations may not have a purpose to distribute profits, it is not necessary for a foundation to have a charitable or other public benefit aim. This means that board members may receive a salary, and foundations may also undertake commercial activities (van der Ploeg 2004). Together with how easy it is to set up a foundation and the history of a ‘pillar-structured’ society (see paragraph 1.1.), this is another explanation as to why there is such a large number of foundations in the Netherlands.

Hence, among the foundations in the Netherlands, there are foundations with a private purpose and those with a public benefit aim. With regards to foundations with a public purpose, the Dutch Tax Authority recognises two important categories that are allowed to apply for fiscal facilities. The first are so-called ‘organisations with a public benefit aim’ (ANBI); the second are so-called ‘organisations with a significant

social importance' (SBBi). The ANBIs have to commit themselves for at least 90 % to public benefit goals, while SBBIs can focus on the interests of a smaller group (e.g. their members), but it must also serve a public goal.

Until recently there was very limited supervision of the activities of these organisations (Gouwenberg et al. 2007). However, from 1 January 2014, the Dutch Tax Authority has demanded that, in order to maintain their fiscal benefits, ANBIs publish information about their mission, income, expenses, salaries and a recent policy document on the Internet. It is not yet known what the effects of this new requirement will be, but it will definitely allow more insight into these organisations.

Both categories of foundation may be eligible for fiscal facilities. These facilities include exclusion from corporation tax (Law on Corporation Tax, 1969) and inheritance tax (Law on Inheritance Tax, 1959). For ANBIs, extensive facilities are applicable, as deductions for donors in revenue tax of up to 52 % (and even up to 78 % for cultural organisations (Law on Revenue Tax, 2001) and corporation tax (up to 50 % percent of the total profits, but no more than EUR 100 000) (Law on Corporation Tax, 1969) may be used by individuals or companies giving money to these foundations. These deductions are not applicable for SBBIs.

In the Netherlands, foundations may undertake commercial activities. With the introduction of the Law on Giving (2012), the Dutch government put forward a measure to stimulate entrepreneurship by ANBIs. According to this Law, ANBIs may undertake commercial activities without losing their ANBI status, as long as these commercial activities are aimed at financing the foundation's public benefit goals (Explanatory Memorandum on the Law on Giving, 2012).

According to this Law, most foundations aiming to stimulate research may qualify as an ANBI. Research departments from commercial enterprises, however, are explicitly excluded. Although the products developed by these departments (which may also have the legal form of a foundation) may serve a public good, their primary goal is to be developed as an asset that will contribute to the profitability of a company. Still, universities developing these products as commissioned research funded by external parties may qualify as an ANBI, as long as these activities are embedded in the regular scientific activities of the corresponding university (Explanatory Memorandum on the Law on Giving, 2012).

### 1.3 The foundation landscape

Information about foundations, their assets and expenditure in the Netherlands is scarce. However, although incomplete and far from representative, some research has been done on foundations supporting the public good. Based on this information, it is possible to give a picture of the foundation sector in the Netherlands.

Generally, foundations in the Netherlands are classified according to their main source of income. Most foundations receive their income from external sources or derive their own income from an endowment. Based on the main source of income, a distinction is made between fundraising foundations, endowed foundations, hybrid foundations and foundations with other fixed sources of income (Gouwenberg et al.

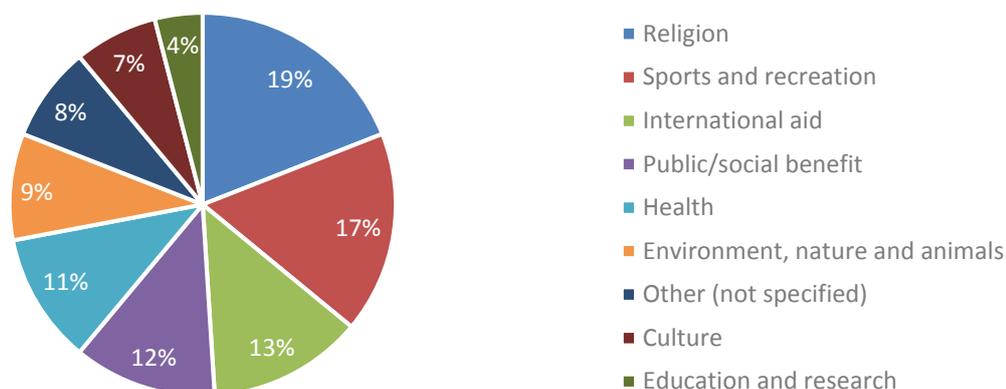
2007). The first type of foundation raises money from different sources on a structural basis, be it from the general public, the government and/or charity lotteries. Other types of foundation have a more structural source of income, such as the proceeds from assets given by a donor (endowed foundations), or structural income from periodic grants from the government or charity lotteries (foundations with other fixed sources of income). The first may also decide to hand over the proceedings of the foundation to another foundation. These types of foundation are known as designated funds (Burger et al. 2001).

Endowed foundations are also characterised by a considerable variety. However, a general distinction can be made. On the one hand, there are older (small) family foundations which have very specific aims. On the other hand, there are larger foundations that were founded recently, which have broader aims, and are a result of privatisation or the accumulation of wealth by families during recent decades. A final type of foundation that is distinguished by its revenue structure are foundations with a more diverse income structure. These foundations are known as hybrid foundations.

The overall 'Giving in the Netherlands' <sup>[1]</sup> Figure (Figure 2) shows that research and innovation do not play an important role. If we zoom in on the source of funding of the 4 % (150 million euros) of the total giving that goes to education and research, the largest share originates from the gifts and sponsorship from private companies (EUR 94 million), followed by households to fundraising foundations (EUR 31 million). Endowed foundations end the list with estimated donations of EUR 25 million to education and research <sup>[2]</sup> (Schuyt et al. 2013).

**Figure 2: Types of recipient organisations**

As a percentage of the number of total donations in the Netherlands, 2011



Source: Giving in the Netherlands, 2013.

1 The Giving in the Netherlands Panel Study (GINPS) is a macro-economic report presenting the contributions of households, companies, foundations and good-cause lotteries to public benefit goals every two years.

2 Total giving by households and companies are generalised amounts for the total populations. Regarding endowed foundations, there is little information available in the Netherlands. Due to the lack of information, therefore, an estimate has been made for the 2011 figures. This estimation is based on the grants made by a sample of 129 endowed foundations. However, these foundations constitute only a small proportion of the total number of charitable endowed foundations in the Netherlands, since many foundations operate anonymously (Giving in the Netherlands, 2013).

From subsequent surveys on the 'Giving in the Netherlands Study', we see that most grants from endowed foundations were given to (national) societal goals, and culture and the arts (Schuyt et al. 2013). Fundraising foundations had a different focus, as they largely focus on international aid and health. In the Netherlands, international aid foundations receive a large share of the Dutch Official Development Aid (ODA) to finance their projects abroad. However, it must be noted that even without government subsidies, international aid is the main focus of Dutch fundraising foundations. Research and innovation only play a minor role as a focus of support by foundations.

However, some comments should be made here. Due to classification into categories in which no distinction is made for innovation, it is impossible to assess how innovation is funded through foundations. Also, there is no clear definition of 'research', as this category is described as 'giving to schools, universities and scientific organisations'. Hence, education is also part of this category. Another difficulty is that giving to health-related research is included in the category of 'health'. Nevertheless, although there is a clear underestimation of foundations' support for research and innovation, it can be concluded that research only receives a small portion of the private contributions to charitable causes.

Regarding the number foundations in general, there is little information available in the Netherlands, let alone specific information about the number of foundations supporting research and innovation. Based on data from the Tax Authorities of the Netherlands, the number of private 'Public Benefit Organisations' (ANBI), is estimated at 50 000 (Ruimte voor Geven 2011) However, this number includes many small fundraising foundations. Also, a lot of churches are included in this number, as well as a large number of nonprofit organisations such as schools, museums, hospitals etc. (Schuyt et al. 2013).

Most larger fundraising foundations are registered at the Central Bureau on Fundraising in the Netherlands (CBF). An important condition for registration is that the costs for a charity's fundraising expressed as a percentage of the revenue from its own fundraising in any one year may not amount to more than 25 % of the revenue from its own fundraising. <sup>[3]</sup> Registration is, however, not a prerequisite for being recognised by the Tax Authorities as an ANBI. Out of all the fundraising foundations, 266 have been accredited with the 'CBF-seal', and an extra 109 have received the 'CBF-seal for small fundraising foundations' <sup>[4]</sup> (CBF, 2014).

Another source of information is the Knowledge Base Philanthropy (Kennisbank Filantropie). This organisation aims to collect information about all the ANBI organisations in the Netherlands. However, as this organisation only recently started to collect information on foundations in the Netherlands, it is difficult to assess the representativeness of the information collected by this organisation. Currently, around 30 000 organizations have registered at the Knowledge Base (Kennisbank Filantropie, 2014).

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3 All criteria for approval by the Central Bureau on Fundraising can be found at [http://www.cbf.nl/Uploaded\\_files/Zelf/CriteriaCBFSealforlargecharities.pdf](http://www.cbf.nl/Uploaded_files/Zelf/CriteriaCBFSealforlargecharities.pdf)

4 With revenue below EUR 0.5 million.

However, from these sources of information, we cannot calculate the assets, nor is it possible to assess the amount spent on research (and innovation). Nevertheless, according to the Rathenau Institute, a research centre financed by the Dutch Ministry for Education, Culture and Science, private nonprofit organisations contributed EUR 405 million to research and development in 2011 (Rathenau Institute, 2014). This amount was based on the data collected by the Dutch Central Bureau of Statistics (CBS, 2012).

The philanthropy sector in the Netherlands is organised by different umbrella or branch organisations. Most (larger) fundraising foundations are represented by the Association of Fundraising Organisations (VFI), representing around 75 % of the total amount raised by fundraising organisations (excluding churches) (VFI, 2013). Endowed foundations are represented by the Association of Funds in the Netherlands (FIN). Around 320 endowed foundations have joined this Association. Several of these funds are also a member of the European Foundation Centre.

However, registration is not a prerequisite in order to work as an endowed foundation. In fact, it is estimated that only a fraction of the total population of (endowed) foundations is a member of the Association of Funds in the Netherlands. As many foundations prefer to operate anonymously, these foundations choose not to register with any association (Giving in the Netherlands, 2013). Finally, these branch organisations are, together with other branch organisations active in the Dutch philanthropy sector, represented in the 'Collaborative Branch Organisations of the Philanthropic Sector' (SBF), which aims to represent the Dutch philanthropy sector.

The SBF also represents the philanthropy sector in negotiations with the Dutch government. In 2011, the Dutch government and the SBF signed a covenant. Through collaboration the Dutch government and SBF aim to improve the exchange of knowledge and information, to improve the connection between in policy funding, to develop innovative ways of financing societal initiatives, to strengthen the infrastructure of the philanthropy sector, to improve the transparency of the philanthropy sector, and to strengthen the general public's trust in philanthropic organisations (Ruimte voor Geven, 2011). However, this agreement does not contain specific agreements on research and innovation-related issues.

A number of Dutch health foundations (20) collaborate together on issues that are beyond the scope of their own organisation. Regarding research, the 'Collaborative Health Foundations' (Samenwerkende Gezondheidsfondsen) aim to play a decisive role within the Dutch research and innovation policy vis-à-vis the domain of health, and to represent patients in research (SGF, 2014).

Although the abovementioned agreement does not contain specific agreements on research and innovation-related issues, the Collaborative Health Foundations (SGF) do participate in a collaboration infrastructure with (institutions financed by) the Dutch government. Besides lobbying for better healthcare in the Netherlands, they have co-financed several research programs. Also, the collective of health foundations has worked together with the Dutch Ministry of Economic Affairs, the 'Top Institutes for technology', and the coordinating group for Life Sciences and Health in setting up a public-private partnership (see also Section 1.4). One of the results of this collaboration is that the financial contribution of the health foundations has tripled thanks to the other partners (government and private enterprises). The SGF aim to continue and to expand their collaboration with these actors in the years to come.

## 1.4 Research and innovation funding in the Netherlands

In the Netherlands, research and development activities may benefit from a broad range of funding sources, both public and private. The Rathenau Institute, an organisation financed by the Dutch Ministry for Education, Culture and Science, regularly publishes on R&D funding in the Netherlands. From them, we know that most important resources come from private companies, investing EUR 6.060 million in research and development, and accounting for almost half of the available amount for research and development in the Netherlands in 2011 (49.9 %). The other main sources for research and development funding come from the Dutch government, accounting for EUR 4.315 million, and funding from abroad, accounting for EUR 1.323 million. Research and development funding from other sources such as higher education and private nonprofit organisations only account for a relatively small portion of the total R&D funding in the Netherlands. In 2011, EUR 443 million (3.6 %) originated from these sources (Rathenau Institute, 2014).

**Table 1: Gross expenditure on R&D (GERD) in the Netherlands, 2011.**

	Amount in millions of Euros	Percentage	Percentage of GDP
Government	4 315	35.6	0.72
Private enterprises	6 060	49.9	1.01
Higher education and nonprofits	443	3.6	0.07
Abroad	1 323	10.9	0.22
Total	12 141	100	2.02

Source: Rathenau Insitute, 2014

In terms of gross expenditure on research and development (GERD) compared to the gross domestic product (GDP) of the Netherlands, GERD accounted for 2.16 % of the GDP in 2012, which is slightly more than in 2011 (CBS, 2012; Eurostat, 2014). Although the relative share of GERD to GDP has risen in recent years to the highest level since Eurostat figures have been available, the Dutch GERD has always been around (or just below) 2 % of the GDP.

However, some comments should be made. Although private companies account for the largest share of R&I funding in the Netherlands, Dutch enterprises spend less on research and innovation than the EU average. In terms of total investment by private companies related to the GDP (BERD), Dutch enterprises account for 1.07 %, as compared to 1.26 % of the EU average (2012). Also, although R&I spending by private companies is characterised by a high concentration of R&I investments by a small number of multinational companies, Dutch SMEs are below the EU average in terms of investing in R&I (European Commission, 2013).

Moreover, although public spending on research and innovation was relatively high compared to the EU average in 2011, recent developments are a point of concern. In recent years, public spending has decreased and lower levels of direct government funding for research and innovation are expected in the near future. However, this might reflect a shift from direct to indirect funding of R&D, with more weight

given to tax incentives for enterprises investing in R&D (European Commission, 2013). The Netherlands has set a target of 2.5 % in terms of GERD. Considering the recent developments in public funding and the lagging behind of R&D funding by business enterprises, this objective might prove difficult to attain.

Nevertheless, it can be stated that research and innovation is of high quality, and the Dutch have maintained their innovative capacity during several years of financial crisis (European Commission, 2013). Research and development policy in the Netherlands aims to build on sectors that are characterised by a strong market and export position, which can count on an excellent knowledge base and which can bring collaborative structures for public-private partnerships. 'To the top', as the national policy is known, was initiated in 2011 and focuses on chemistry, creative industries, energy, high-tech systems and materials, horticulture and propagating stock, life science and health, logistics, agriculture and food, and water (Ministry of Economic Affairs, Agriculture and Innovation, 2011). The Dutch government aims to involve venture capital from private organisations and to create revolving funds, in order to create and facilitate fast-growing, new science-based companies spinning off from business, universities and research laboratories (Ministry of EA&I, 2011; European Commission, 2013).

In comparison with other European countries, the Netherlands is performing above the EU average in terms of innovation. The Netherlands is classified as an 'Innovation follower', and ranks 6th on the 'Innovation performance' scorecard of the European Commission 2014 (European Commission, 2014), which is down one place from the scorecard of 2013. Performance was improving steadily until 2011, increased strongly in 2012 (among others due to a much higher share of product and/or process innovators) and then declined in 2013 (among other reasons this was due to reduced license and patent revenues from abroad). The performance relative to the EU has been more volatile, reaching a peak of 118 % in 2012 before falling to 114 % in 2013.

Although there are some indications that the Netherlands should be worried about its innovative capacities, the Dutch R&I infrastructure leads to a number of areas in which Dutch researchers are highly specialised. In terms of specialisation, the Netherlands has the highest research intensity in healthcare worldwide. There is also specialisation in the fields of audiovisual technology, basic communications processes, semiconductors, optics, macromolecular and food chemistry, and food products. The strength of the Dutch R&I sector is also reflected in the output of scientific publications, which is more than four times the EU average. The Netherlands stands out in terms of its scientific production and technological production for food, agriculture and fisheries, energy, ICT, nanotechnology, security, and health (European Commission, 2013). Indeed, many of these scientific fields overlap with the fields that are mentioned in the national policy.

However, the foundations studied in this report are not explicitly mentioned in this policy document or any other source of information. This means we can only use fragments of information about the contribution of foundations in the field of research and innovation. According to the Rathenau Institute, private nonprofit organisations and higher education institutes contribute EUR 443 million to research and development, which would be around 0.07 % of the GDP (see Table 1). Specific (endowed or fundraising) foundations' support for research and innovation is small (see also paragraph 1.3).

In fact, the Rathenau Institute only mentions foundations as ‘collecting box’ foundations, with a focus on healthcare. However, although it is true that the fundraising foundations that focus on health-related research play a significant role in the research arena, we know that at least a number of endowed foundations also play a role in certain research fields. For example, we know that the GAK Institute is currently spending more than EUR 26 million on research related to social security (GAK Institute, 2013). Furthermore, from the Giving in the Netherlands Study, we can see that there are several organisations focusing on research apart from the health foundations (Schuyt et al. 2013).

### **Stimulating private donations to research by the Dutch government**

In 2005 the Dutch Government launched a special Taskforce ‘Giving for Research’ (Taskforce Geven voor Weten) to encourage private donations to universities and research institutes. The Taskforce successfully put this ‘issue’ on the agenda. Its work resulted among others in meetings with university boards, two national conferences and collaborative meetings for officials and foundations supporting research.

The Taskforce made recommendations for academia to set up university foundations, to create fundraising departments, to develop alumni networks and to reward scholars who are successful in attracting commissioned research.

In 2011 the Dutch Ministry of Education, Culture and Science published a booklet ‘Giving to Scientific research. The tax benefits of your donations’. This booklet provides insight into the tax options on gifts and legacies to scientific research.

In a recent publication “Vision Science 2025” (2014) the Dutch government emphasized the (potential) contribution of private (philanthropic) money for research and innovation. As a follow-up on the publication, they will organize meetings with the aim to bring private funds, researchers and research institutes together, thereby fostering research-centered collaboration.

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

As mentioned in the previous chapter, information on foundations in the Netherlands is scattered and incomplete. Although Public Benefit Organisations (ANBIs) have an obligation to register with the Tax Authorities, foundations cannot be distinguished as a separate category, which makes it impossible to assess the exact number of foundations in the Netherlands, or to identify what purposes they support. Without a register, information has to be gathered from other sources to compile a list of Dutch foundations supporting research and/or innovation.

The starting point for identification was to contact umbrella and branch organisations for foundations. It should be noted that in the Netherlands a distinction is made between fundraising foundations and foundations with an endowment, and that these types of foundations are organised in different ways.

The 'Association of Funds in the Netherlands (FIN)' is an umbrella organisation for foundations with an endowment. Membership of this branch organisation is not obligatory, and it is therefore estimated that only a fraction of all endowed foundations are members of the FIN (Giving in the Netherlands, 2013). The FIN issues an annual directory (Fondsenboek) of about 700 private charitable foundations in the Netherlands which includes both members and non-members of the umbrella organisation. The directory was searched for by using the keywords 'research', 'innovation' and 'science' to make a first selection of endowed foundations that would meet the EUFORI criteria. Foundations that came up in our search were added to the list to be verified at a later date.

The Association of Fundraising Foundations (VFI) is an umbrella organisation for larger fundraising foundations. The VFI has about 120 members which are listed on their website. The VFI members are responsible for about 75 % of the total funds raised by fundraising foundations in the Netherlands (VFI, 2014). The VFI members list was searched for foundations that would potentially contribute to research and/or innovation. These foundations were added to the list. The Internet was searched in order to find additional Dutch foundations contributing to research and innovation.

Another important organisation we should mention is the 'SGF – Samenwerkende Gezondheidsfondsen' (Collaborating Health foundations), which is a cooperative organisation uniting 20 of the most important Dutch foundations, each with a specific health focus. Although most of these foundations are fundraising foundations and had therefore already been identified through the VFI, the members list of the SGF had some valuable additions to our list in terms of potential R&I foundations.

With the knowledge that only a portion of the foundations are represented in umbrella organisations, the snowball method was used to find and identify foundations supporting R&I. The foundations that were

already identified through the Fondsenboek, VFI or Internet search were contacted by telephone or email to verify the correct contact person to send the questionnaire to, and to inquire about any other foundations that could participate in the study. The snowball method was only partially successful in finding additional foundations. It became apparent that finding potential fundraising foundations was much easier than finding endowed foundations, as the latter more often than not wanted to retain their anonymity. However, it is very possible that the largest and most important endowed foundations are included in this study.

The Dutch Ministry of Education, Culture and Science was also consulted on the composition of the list. Since 2005, the Dutch government has encouraged private donations to research (see the box above), and was therefore invited to use their knowledge and experience to provide any additional information on Dutch foundations supporting research and/or innovation.

Finally, a list of 100 foundations with a presumed interest in research and/or innovation was compiled.

## 2.2 The survey

In May 2013, all 100 foundations received an invitation to the online survey. The data collection process was carefully monitored, and several actions were taken to increase the response rate. Special care was taken to ensure that the larger Dutch foundations completed the survey. Knowing that a small portion of foundations were responsible for the lion's share of the foundations' contributions, it was important that these foundations in particular were included in the survey. The online questionnaire was left open for three months. In the end, 53 Dutch foundations filled in the questionnaire. 48 foundations indicated their support for research and/or innovation. The results in Chapter 3 are based on the answers from these 48 foundations.

## 2.3 The interviews

In total, representatives from seven Dutch foundations were interviewed for the EUFORI study. The selection of the interviewees was guided by the existing information on the major types of R&I foundations. In order to conduct an interview with a representative from all the most important kinds of foundations, we selected at least two potential interviewees within every major type. If none of them were willing to cooperate with us, they were replaced by another foundation belonging to the same category.

The Dutch foundation sector can be divided into different categories. An important division would be one made between the main sources of income. Fundraising and endowed foundations are two important categories here. Gouwenberg et al. (2007) added two other categories, namely foundations with other fixed sources of income, and so-called hybrid foundations. Foundations with fixed sources of income receive an ongoing stream of revenue from, for example, the government or charity lotteries. Hybrid foundations have a combination of revenue sources, and are characterised by multiple goals and objectives. The former seems to be absent from the group of R&I foundations, and the latter can be found in a number of R&I foundations in this study and exist in various forms.

Therefore, the list of selected foundations is as follows:

### **Category 1: Fundraising foundations.**

These foundations are characterised by their main source of incomes, which they mainly derive from fundraising. In general, these foundations were founded in the 20th century and raise money to fund research for health-related goals. They can be characterised as grantmaking, but some foundations in this category also have an operating role. Although the largest foundation in the sample is also a fundraising foundation (Dutch Cancer Society), most foundations in this category are medium sized.

Foundations that have been included are the Lung Foundation and the Dutch Cancer Society.

### **Category 2a: Endowed foundations with a specific goal**

Two subcategories can be distinguished between foundations that acquire their main revenue from an original endowment. Endowed foundations with a specific goal are grantmaking organisations. As their original endowment is relatively small, they also give relatively small grants. The founders are private individuals or companies that set up a foundation to pursue a very specific goal. This type of foundation was also founded in the 20th century. Some of these foundations are administered by other foundations.

The foundation that has been included is the Uyttenboogaart-Eliassen Foundation.

### **Category 2b: Endowed foundations with multiple goals**

This type of foundation is also a grantmaking type of foundation. However, they differ in size, age and the number of goals they pursue. First, these foundations have a much larger original endowment which enables them to make much larger grants. Although research is an (important) part of their grantmaking policy, most foundations also give grants to other goals. Institutions or (living) individuals are the founders of these foundations and are a relatively new phenomenon.

The Adessium Foundation and the GAK Institute have been included as examples of this category.

### **Category 3: Hybrid foundations**

This type of foundation can be described as hybrid, as they both raise funds but have also other sources of revenue. These foundations can be found in Dutch universities, who manage multiple endowments and raise money for specific projects. Besides the Dutch university foundations, there are also other foundations that fit this description.

The foundation representatives we interviewed came from the Utrecht University Foundation and the Amsterdam University Foundation.

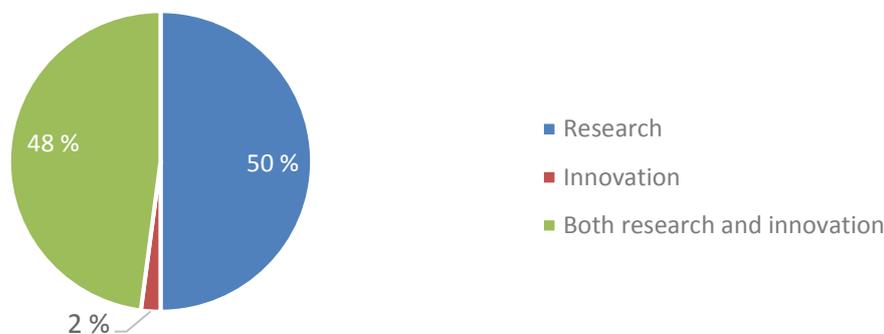
# 3 Results

In this chapter the results based on the quantitative analysis of the survey are discussed. 48 Dutch foundations supporting research and innovation participated in the EUFORI study and filled in the questionnaire.

## 3.1 Types of foundation

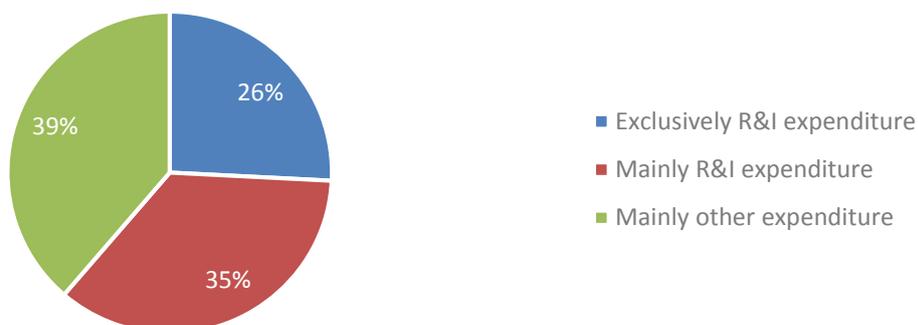
Nearly all the foundations (47) identified in the Netherlands indicate that they support research. Only one foundation claimed to focus exclusively on innovation (Figure 3). The other 47 foundations either support research (50 % of the total), or support both research and innovation (48 % of the total).

**Figure 3: Types of foundation; research and/or innovation**  
As a percentage of the total number of foundations (N=48)



It is important to note is that this figure depicts whether foundations support research and/or innovation, and is therefore not a good measure of the extent to which they support R&I. Instead, Figure 4 shows how exclusive the focus on R&I by Dutch foundations is. Eight foundations claimed to have an exclusive (100 % focus) on R&I. Eleven foundations mainly focus on R&I, whereas the other 11 foundations indicated that less than 50 % of their expenditure goes on R&I.

**Figure 4: Types of foundations according to purpose**  
As a percentage of the total number of foundations (N=31)

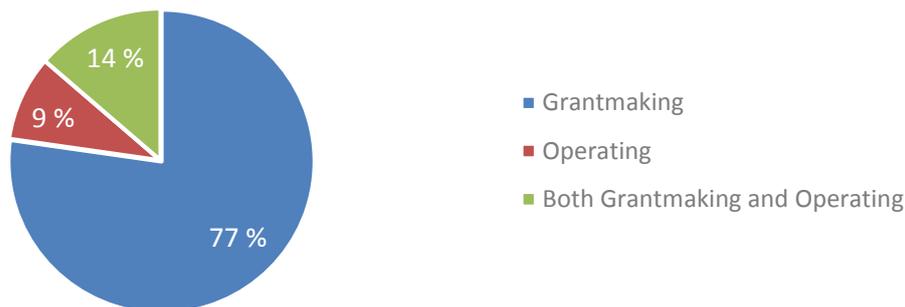


In the interviews with Dutch foundations it became clear that R&I is an area that is supported by many foundations, but that is not very often regarded as their main activity. In fact, hardly any of the interviewed foundations (7 in total) regarded themselves as a ‘research’ foundation. Even when a large share of their expenditure is intended for research or research-related activities, they categorise themselves into different thematic areas.

In Sections 3.3. (expenditure) and 3.4. (focus of support) we will take a closer look at the division of expenditure between research and innovation.

**Figure 5: Types of foundations; grantmaking versus operating**

As a percentage of the total number of foundations (N=44)

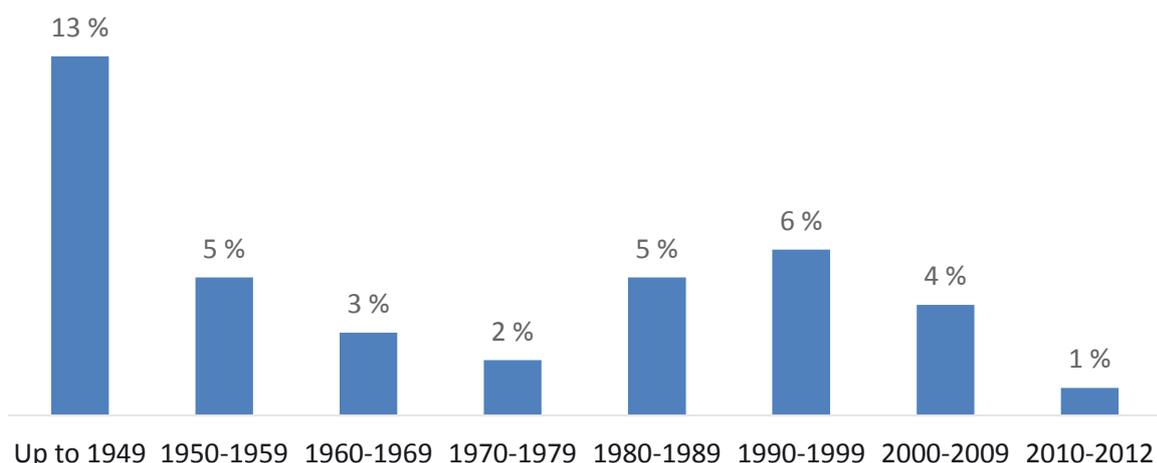


The majority of Dutch foundations fall into the grantmaking category (figure 5). Just four foundations are of the operating type. As was made clear in the context paragraph, the divide between grantmaking and operating foundations is not particularly prominent for Dutch foundations. The reason lies in the broad definition of ‘foundation’ used in the Netherlands. The definition of a foundation used in the EUFORI study corresponds better with the Dutch term ‘fondsen’ (funds), which are foundations that focus on transferring private money for public purposes (Gouwenberg and Schuyt 2007: 240). Therefore, in the identification of Dutch foundations for the EUFORI study, only funds were included, which might explain the high number of grantmaking foundations in Figure 5.

When looking at the years of establishment of foundations supporting R&I, one might expect that foundations supporting research and innovation are a modern phenomenon. Nonetheless, in the Dutch landscape we should note that a third of the foundations were established before 1950.

**Figure 6: Types of foundations according to year of establishment**

Number of foundations by decade (N=39)



Among the oldest foundations in the Netherlands supporting R&I are university foundations. Some of these foundations were established towards the end of the 19th century. University foundations could therefore be considered as a precursor to R&I foundations, even though their focus was much wider and usually extended beyond research purposes. The Utrecht University Foundation, for example, was established in 1886 by alumni to benefit the university in general. University foundations are a distinctive type of foundation in the R&I landscape, yet their role has been relatively modest in terms of their contribution to research, as their focus has been more towards education (scholarships and supporting student activities).

Moreover, it should also be taken into consideration that although many foundations were established earlier in the 20th century, research may not always have been their primary aim. The Prince Bernhard Foundation for Culture (Prins Bernhard Cultuurfonds), for example, was established in 1940 to raise funds for ordnance. After World War II, its focus shifted to the cultural sector. Furthermore, it broadened its support, and now also supports research.

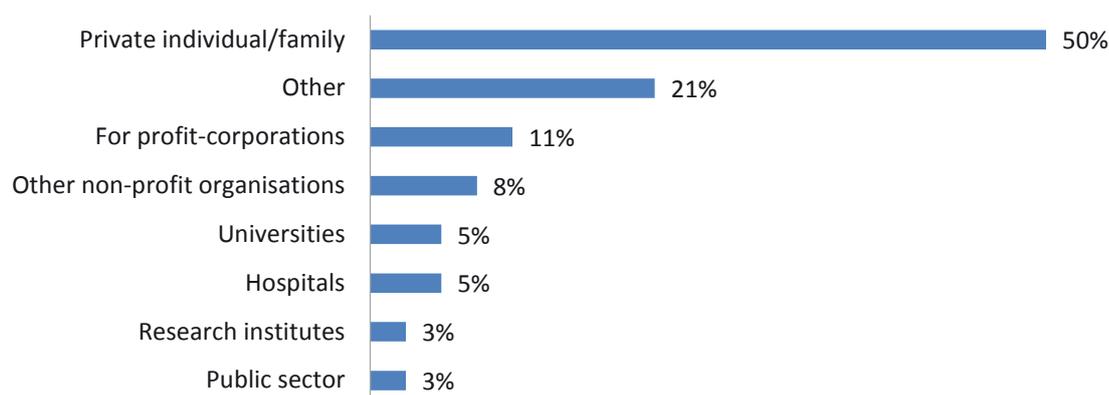
## 3.2 Origins of funds

### 3.2.1 Financial founders

Half of the Dutch foundations report that they were founded by a private individual/family (see Figure 8). The 'other' category, remarkably, is also mentioned quite often, with 21 % of foundations indicating that the financial founder differed from the answer options. In this category answers such as 'a group of professors' and 'a group of patients', are mentioned by foundations. Figure 8 therefore also reflects the relatively low threshold in the Netherlands to start a foundation. It is very common that foundations are started by individuals or groups of individuals, and over the years develop into professional organisations. Interestingly, when asked who is in charge of defining the annual strategy of their foundation, it was not once reported that the original financial founder is in charge. Instead, the majority of Dutch foundations (73 %) reported a governing board with appointed members in charge. Around 16 % indicated that a governing board with elected members is in charge. The remaining 11 % mentioned the 'other' category as being in charge. In this 'other' category we find answers such as a supervisory board.

#### Figure 8: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=38)

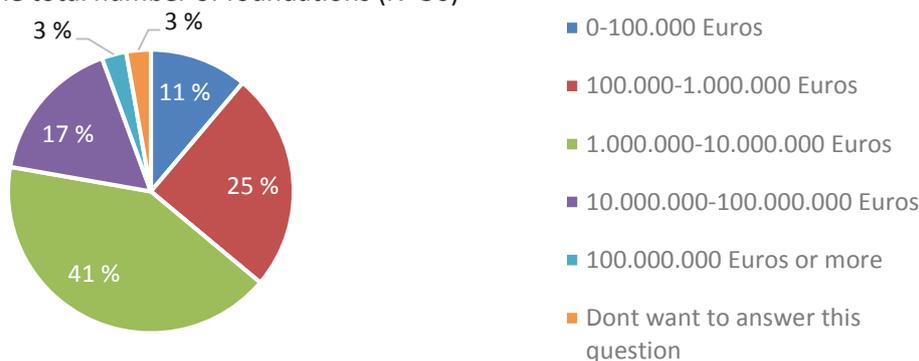


### 3.2.2 Income

The total income for the Dutch foundations adds up to EUR 412 621 907. The majority (77 %) of the Dutch foundations indicated that their income lies within the EUR 0-10 million range (see Figure 9). The distribution is, however, highly skewed with 20 % of the foundations accounting for 84 % of the total income of Dutch foundations. This imbalance also becomes apparent when looking at the mean and median income of the foundations. The mean income of Dutch foundations is EUR 10.86 million, whereas the median income is EUR 2.64 million.

**Figure 9: Total income according to category in Euros, 2012**

As a percentage of the total number of foundations (N=36)



**Table 2: Statistics Income**

Number of foundations	38
Mean in Euros	10.858.471
Median in Euros	2.640.898
Total income in Euros	412.621.907

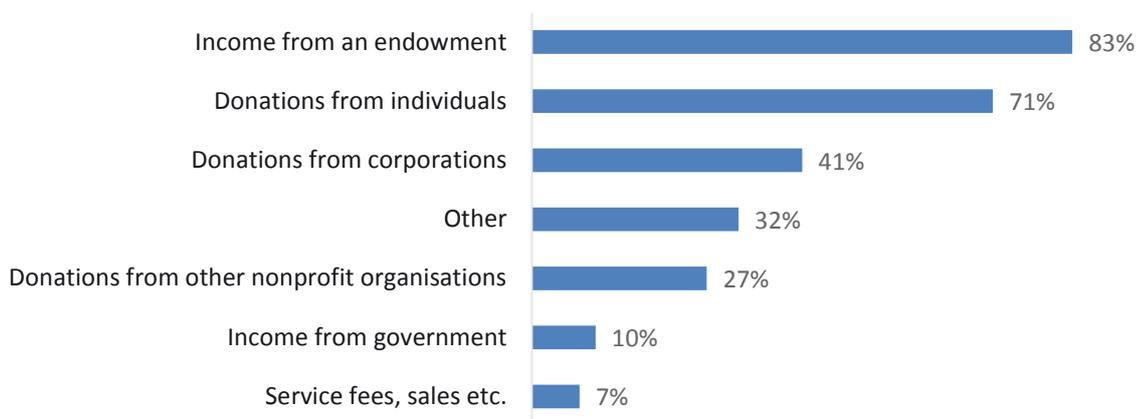
When we look at the sources of income (see Figure 10), we find that the vast majority (83 %) of foundations claimed to receive income from an endowment. Income from donations from individuals are also very popular, with 71 % of the respondents reporting this category. As previously mentioned, the distinction between fundraising foundations and endowed foundations is a typical categorisation for Dutch foundations. Although there are more typical fundraising foundations in this dataset, this prevalence is not really visible in Figure 10, as foundations had the option of choosing multiple sources of income, and most fundraising foundations also receive a small income from an endowment. On average, Dutch foundations receive income from 2.7 income sources. There are only seven foundations that have no endowment or receive no income from one. On the other hand, there are eight foundations that receive income solely from an endowment. The remaining foundations therefore also receive income from other sources. This may indicate that the distinction between 'fundraising' and 'endowed' foundations is becoming blurred.

The dominance of fundraising foundations becomes more visible when the distribution of income sources is analysed (see Figure 11). Here, income from donations from individuals accounts for 64 % of their total income, whereas income from an endowment accounts for 17 % of their total income. The main reason for this disparity is that some of the larger foundations in the dataset are predominantly fundraising foundations, and therefore have a major influence on the distribution of income. In fact, the two largest fundraising foundations in terms of income are together responsible for 47 % of the total income of the Dutch foundations in the EUFORI study.

A relatively high amount was reported as being in the 'other' category. 18 % of the total known income comes from sources other than the ones mentioned in the questionnaire. A few foundations provided insight into why this is the case. In the Netherlands, a number of lotteries are obliged to donate at least 50 % of their returns to public benefit causes. Many fundraising foundations therefore receive a substantial amount of money from lotteries, which is a possible explanation for the large 'other' category. Another notable observation is that categories 'income from government' and 'income from other nonprofit organisations' are hardly present in terms of their amounts, with the share of income from the government being non-existent.

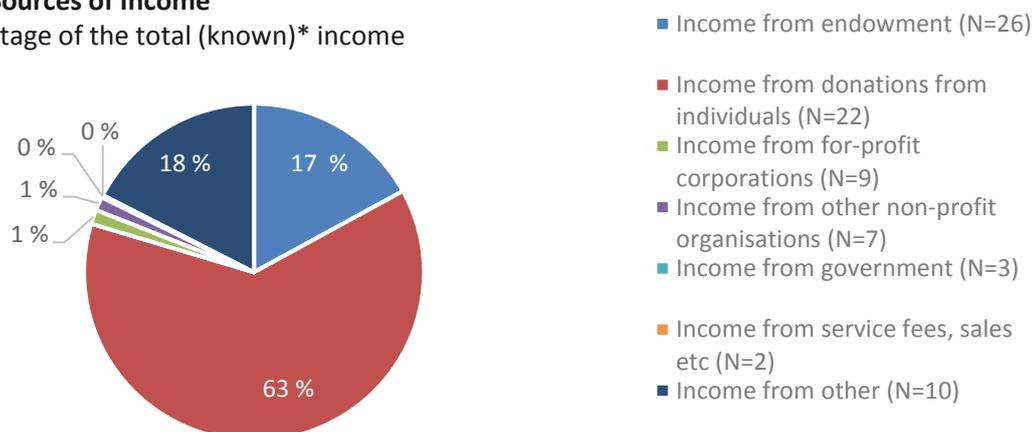
### Figure 10: Sources of income

As a percentage of the total number of foundations , multiple answers possible (N=41)



**Figure 11: Sources of Income**

As a percentage of the total (known)\* income

**Table 3: Sources of Income**

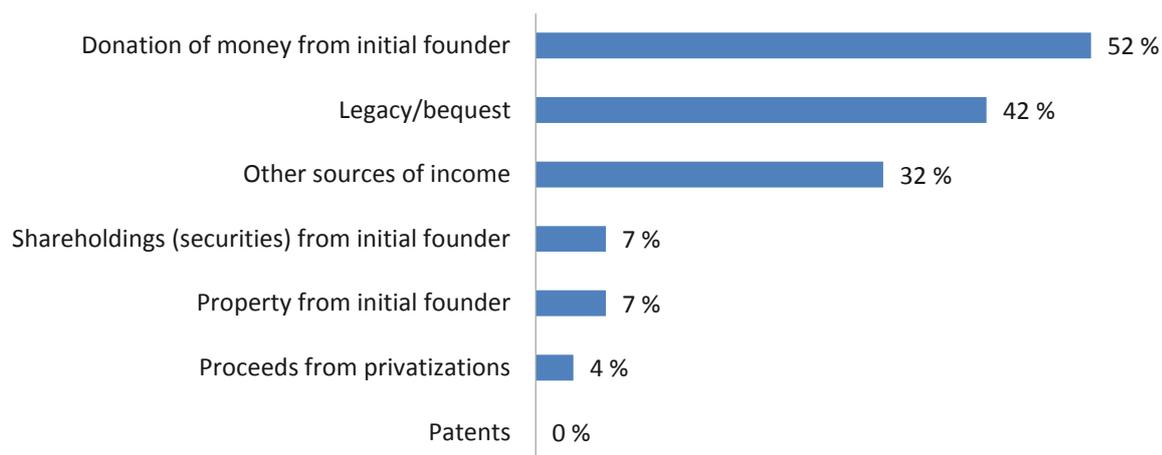
Source of income	Amount in Euros
Income from endowment (N=26)	53 125 373
Income from donations from individuals (N=22)	195 675 325
Income from for-profit corporations (N=9)	4 298 762
Income from other nonprofit organisations (N=7)	4 103 263
Income from the government (N=3)	699 790
Income from service fees, sales etc. (N=2)	33 282
Income from other (N=10)	54 462 118
Unknown	100 223 994
<b>Total income</b>	<b>412 621 907</b>

With 4 out of 5 Dutch foundations reporting to have an income from an endowment, we can take a closer look at the origins of endowments. In Figure 10 we can see that ‘donation of money from the initial founder’ is the most reported category (52 %) followed by legacy/bequest (42 %). The financial goal of the endowment is for 71 % of the foundations to maintain their endowment. 39 % of the foundations indicated that their endowment could increase. 19 % reported that their endowment could be spent down.

From the sources of income graphs (see Figures 10 and 11) it is apparent that the government plays a marginal role in the income of Dutch foundations. Very few foundations (4) claimed to receive an income from the government. When asked about the influence of the government on decision-making about the allocation of funds, only one foundation reported that the government was quite influential. The other 3 foundations reported that government is not or hardly influential on decision-making, even though at least 2 foundations have government representatives on their governing or supervisory board.

### Figure 12: Origin of endowment

As a percentage of the total number of foundations, multiple answers possible (N=31)



### 3.2.3 Assets

The total assets for the Dutch foundations add up to EUR 1 653 963 139. The majority of the total assets (66 %) lies within the EUR 0-10 million range. As expected, the distribution of the total assets is fairly skewed. The mean amount of assets is EUR 55.1 million, whereas the median amount is EUR 4.1 million. The top 3 foundations in terms of assets account for 85 % of the total assets for Dutch foundations. If these 'outliers' were left out of the analysis the mean value would be EUR 9.8 million.

### Figure 13: Total assets by categories in Euros, 2012

As a percentage of total number of foundations (N=29)

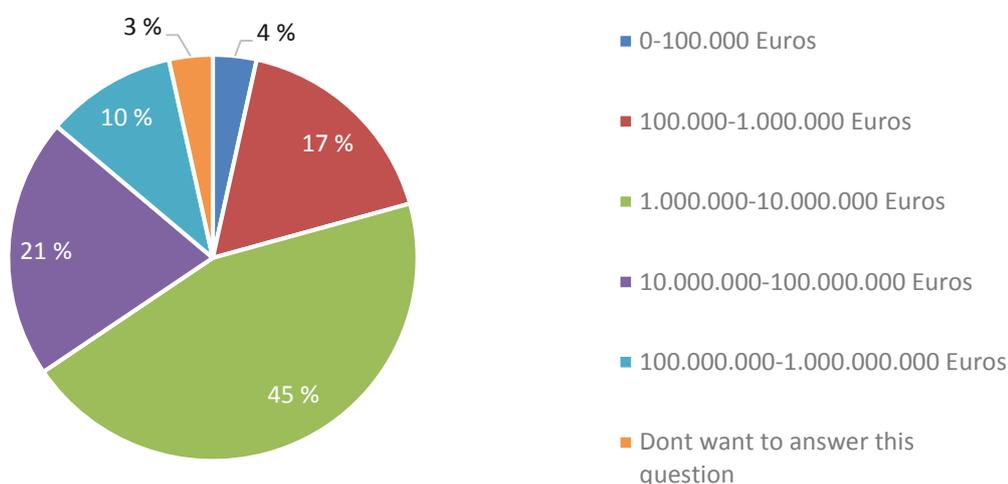
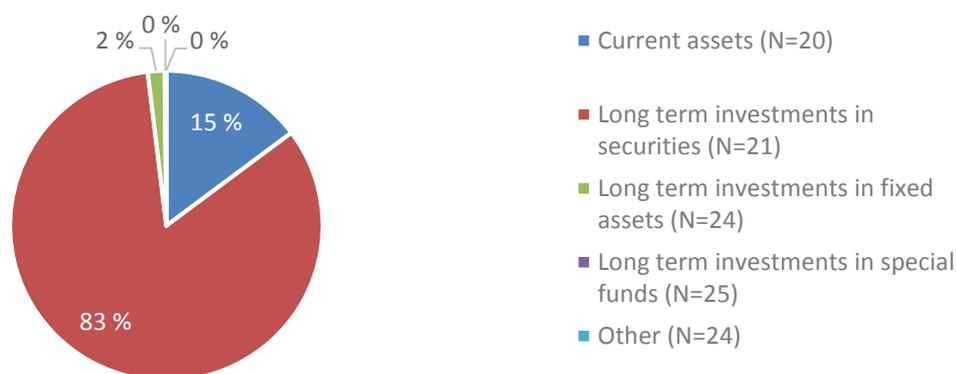


Table 4: Statistics Assets

Number of foundations	30
Mean in Euros	55.132.105
Median in Euros	4.149.918
Total assets in Euros	1.653.963.139

A breakdown of assets among Dutch foundations is shown in Figure 14. Overwhelmingly (with 83 %, the Dutch foundations indicate that their assets mainly consist of long-term investments – securities. It should be noted that this number is calculated according to the percentage of the amount of assets, and therefore is slightly influenced by the answers of the foundations with the highest assets. When leaving the top 3 foundations out, the distribution hardly changes. Securities still represent the main type of asset with 77 %, followed by current assets with 13 %.

**Figure 14: Distribution of assets**  
As a percentage of the total (known) assets

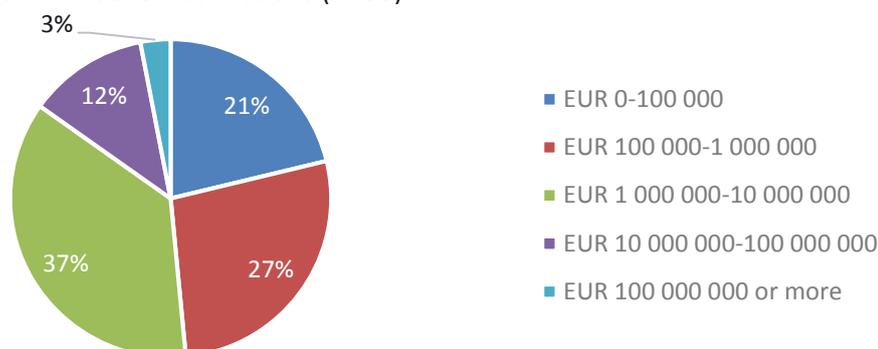


## 3.3 Expenditure

### 3.3.1 Total expenditure

The total expenditure of the Dutch foundations adds up to EUR 314 818 671. Roughly, half of the Dutch foundations have a total expenditure ranging from EUR 0 to 1 million. The other half have expenditure ranging from EUR 1 million to more than EUR 100 million. The largest foundation in the Netherlands (a fundraising health foundation) accounts for almost EUR 133 million. The mean amount of expenditure of the Dutch foundations is EUR 8.5 million, whereas the median amount is EUR 1.5 million.

**Figure 15: Total expenditure according to category in Euros, 2012**  
As a percentage of the total number of foundations (N=33)



**Table 5: Statistics expenditure**

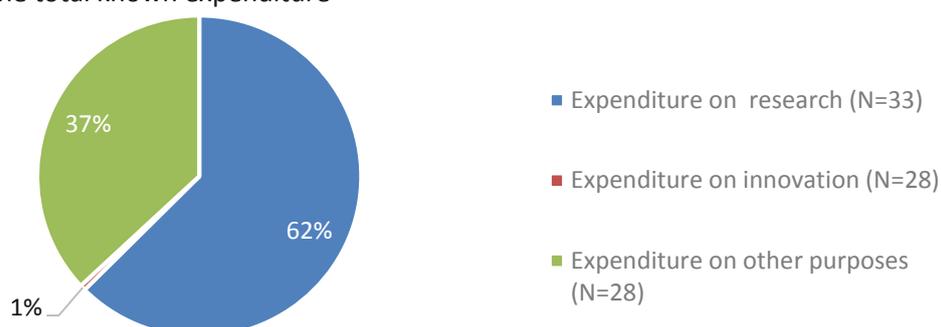
Number of foundations	37
Mean in Euros	8 508 613
Median in Euros	1 500 000
Total expenditures in Euros	314 818 671

### 3.3.2 Research

Expenditure on research and innovation for Dutch foundations is shown in Figure 16. 62 % of the assigned expenditure of Dutch foundations goes to research, amounting to EUR 141 million on research expenses. Expenditure on innovation only makes up 0.5 % with slightly over EUR 1 million. The expenditure on other purposes is EUR 83 million with 37 %. It should be pointed out that the pie chart (see Figure 16) represents the assigned expenditure, as there is a discrepancy between the total expenditure (EUR 314 million) and the assigned expenditure on research, innovation and other purposes due to unanswered questions. The amount of unallocated expenditure is quite substantial, with EUR 89 million.

**Figure 16: Distribution of total expenditure; research, innovation and other purposes**

As a percentage of the total known expenditure



**Table 6: Expenditures Distribution**

Expenditures to Research	141 317 257
Expenditures to Innovation	1 239 584
Expenditures to other purposes	83 476 110
Unknown	88 785 720
<b>Total expenditures in Euros</b>	<b>314 818 617</b>

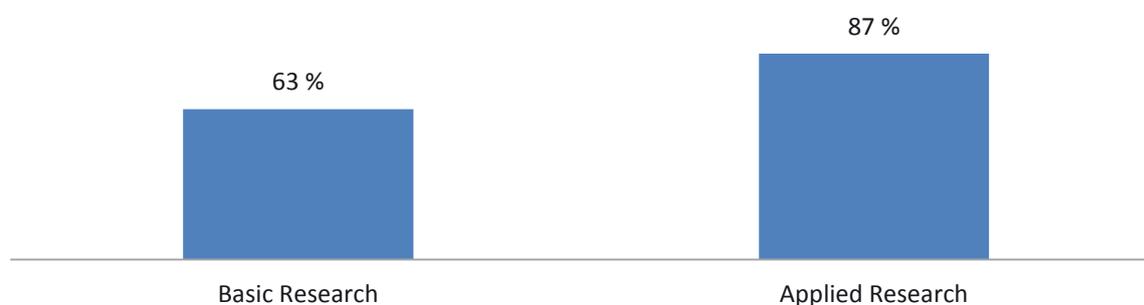
The expenditure on research can be divided into expenditure on direct research activities and research-related activities. Dutch foundations apparently have a preference for direct research activities over research-related activities in terms of expenditure. In fact, when leaving out the 'unknown' share, the division between direct research and research-related would be 85 % vs 15 %. Still, it should be noted that the number of observations (N=20) is too small to make any definitive statements, and the fact that the unknown category is fairly substantial indicates that there were a lot of omitted answers here.

**Table 7: Distribution of expenditures to research**

Direct vs Research Related	Amounts in Euros	Percentage
Direct Research (N=19)	70 240 977	50%
Research Related (N=20)	12 994 004	9%
Unknown	58 082 276	41%
<b>Total expenditures to Research</b>	<b>141 317 257</b>	<b>100%</b>

The same remark can be made about the division of expenditure between basic and applied research. Here, foundations contribute much more to applied research than to basic research. When leaving out the 'not allocated' share, the ratio between applied and basic research would be 78 % vs 22 %. Basic research, understood as research aimed at acquiring new knowledge with no particular application or use intended, should not be considered as 'unpopular' among Dutch foundations, as more than half of the foundations (63 %) reported that they support basic research. However, the average percentage of their research expenditure with which they contribute to fundamental research is quite low. It is clear that applied research, aimed at acquiring new knowledge with a particular intended application or use, is a higher priority for Dutch foundations. 26 out of the 30 foundations indicated that they support applied research. On average, about 54 % of their research expenditure goes to applied research. The uneven distribution of expenditure, as shown in Table 8, is therefore also a reflection of the size of the foundations supporting research and the capital-intensive costs related to applied research.

**Figure 17: Distribution of expenditure research; basic vs applied**  
As a percentage of the total number of foundations (N=30)



**Table 8: Distribution of expenditures on research**

Basic vs Applied research	Amounts in Euros	Percentage
Basic research (N=19)	19 723 129	14 %
Applied research (N=19)	66 070 537	47 %
Unknown	55 523 590	39 %
<b>Total expenditure on research</b>	<b>141 317 257</b>	<b>100%</b>

## Translational research

In our interview with the Dutch Cancer Society (DCS) – the largest fundraising foundation in the Netherlands – translational research was mentioned as a core priority in the foundation’s policy for the years 2011-2014. Translational research can be understood as the link between fundamental/basic research and applied research. Specifically for the development of medicine and healthcare practices, translational research is of great importance to transforming basic scientific discoveries into practical clinical applications (DCS 2014).

Translational research is quite expensive research as it requires a lot of time and effort. Since 2011 the DCS has granted additional funds specifically for translational research in order to stimulate this form of research.

In the definition used in the EUFORI study, applied research also includes translational research, which is an additional explanation for the high amount designated to applied research, as there are a lot of health foundations in the Dutch dataset that contribute to translational research.

As already mentioned in the first paragraph, most Dutch foundations in our sample are grantmaking foundations (77 %). This is also reflected in the form that the expenditure on research takes. 99.5 % of the research expenditure takes the form of grants. Dutch foundations specified only 0.5 % of their research expenditure as their own operating costs. As shown in Figure 5.9 % of the Dutch foundations claimed to be an operating only foundation. However, from their specification of their expenditure it can be seen that they either typified themselves incorrectly, or misunderstood the question, since nearly all these ‘operating’ foundations replied they distributed grants.

### 3.3.3 Innovation

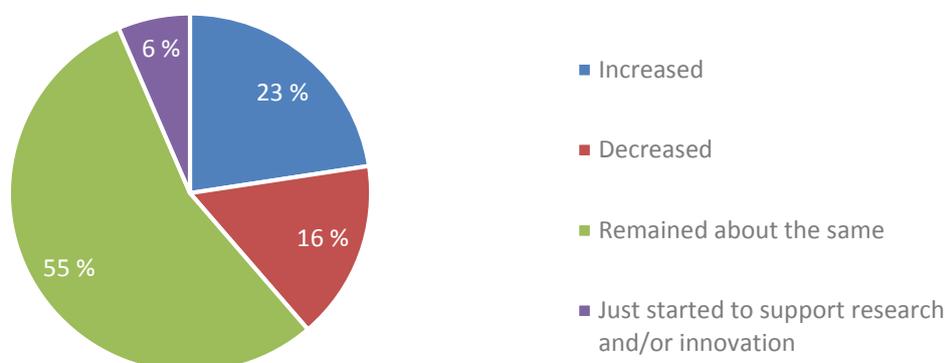
Although half of the Dutch foundations claimed to support innovation as well as supporting research, only 9 foundations provided an actual amount. In total, these foundations contribute EUR 1 239 584 to research, but given the high number of omitted answers this number is in fact expected to be much higher. In the interviews some foundations indicated that they had difficulty with the concept of ‘innovation’, and therefore found it very hard to specify the amounts they contributed. They commented that research and innovation are often interlinked and that the projects they support generally cannot be perceived as exclusively research or innovation projects, but usually contain elements of both.

All the foundations supporting innovation answered that their expenditure on innovation takes the form of grants. Eight Dutch foundations provided examples of innovative projects that they supported. Some examples that were mentioned include the development of solar cells; the development of a didactic game; and the development of applications that can be controlled by brainwaves.

### 3.3.4 Changes in expenditure

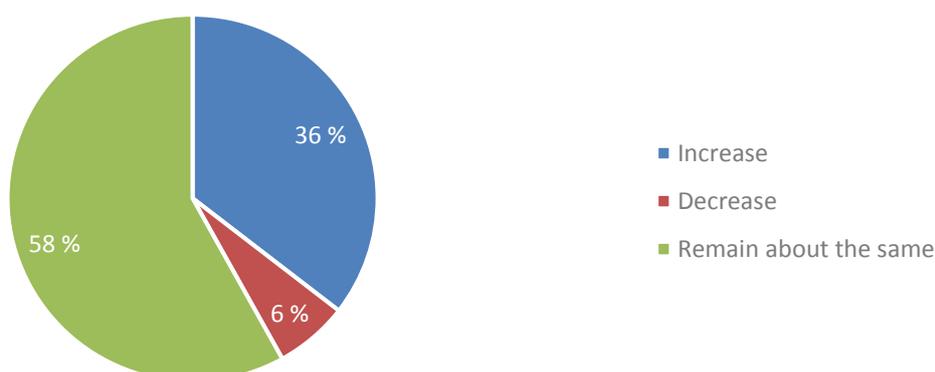
Dutch foundations do not seem to be especially pessimistic about the changes in their expenditure. 23 % indicated that their expenditure increased during the previous year. For the majority of foundations (55 %) their expenditure stayed the same. Only 16 % indicated that their expenditure had decreased.

**Figure 18: Changes in expenditure on research and innovation compared to previous year**  
As a percentage of the total number of foundations (N=31)



For the following year, the prognosis is also fairly optimistic. 36 % of Dutch foundations predicted that their expenditure would increase. 58 % estimated that their expenditure would remain the same. Only 6 % of foundations expected that their expenditure would decrease. Given the current economic climate, these are quite optimistic reports.

**Figure 19: Changes in expenditure on research and innovation, expectations for the following year**  
As a percentage of the total number of foundations (N=31)



## 3.4 Focus of support

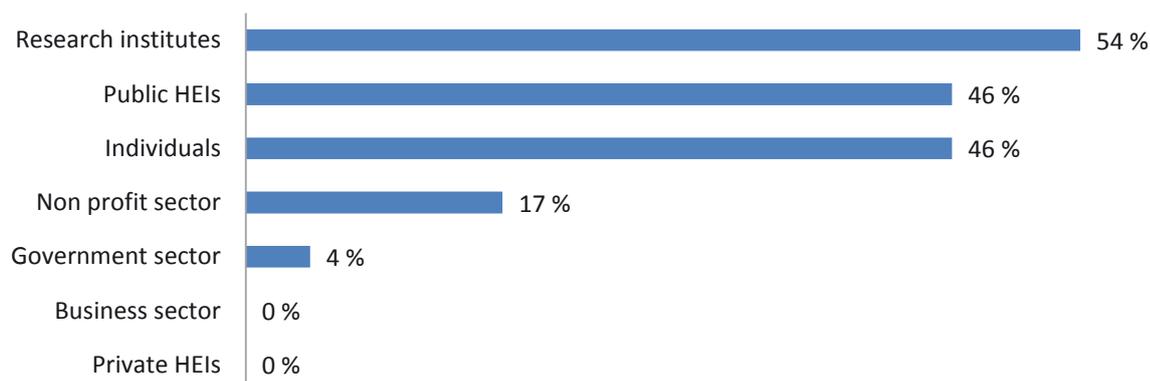
### 3.4.1 Beneficiaries

The grantmaking foundations were asked about the type of beneficiaries they support. Dutch foundations indicated (N=25) that their beneficiaries most frequently belong to the research institute category, followed by individuals and public higher education institutions. It is predominantly the smaller foundations in terms of expenditure that support individuals. The larger foundations tend to support public higher education institutions and research institutes.

The Uyttenboogaart-Eliassen Foundation is a good example of a small endowed foundation that mainly supports individuals. The purpose of this foundation is to promote entomological science in the Netherlands. They do this by granting subsidies that can be used to visit scientific conferences or to do field research. In the interview with the Uyttenboogaart-Eliassen Foundation, the members of the Board stated that they have a preference for supporting individuals who have made important contributions to entomological science, but are not professionally active in it.

**Figure 20: Beneficiaries**

As a percentage of the total number of foundations, multiple answers possible (N=24)



**Designated funds**

A specific type of foundation is a designated fund. This type of fund allows donors (individuals, companies, foundations) to accommodate an endowment under the aegis of a ‘main foundation’. Designated funds are separate funds within foundations that are set up for a specific purpose determined by the donor. The organisational and administrative implementation of the endowment is in the hands of the foundation under which the fund is set up. The advantage for donors is that it is relatively easy to support a very specific cause with a substantial donation without the inconvenience of setting up their own foundation and at the same time benefiting from the knowledge of the main foundation.

Well-known foundations that accommodate designated funds in the Netherlands are the Prince Bernard Foundation for Culture, the Amsterdam University Foundation and the Leiden University Foundation. The amount of the donation necessary to start a designated fund differs from foundation to foundation. The Prince Bernard Foundation for Culture, for example, requests a minimum donation of EUR 50 000.

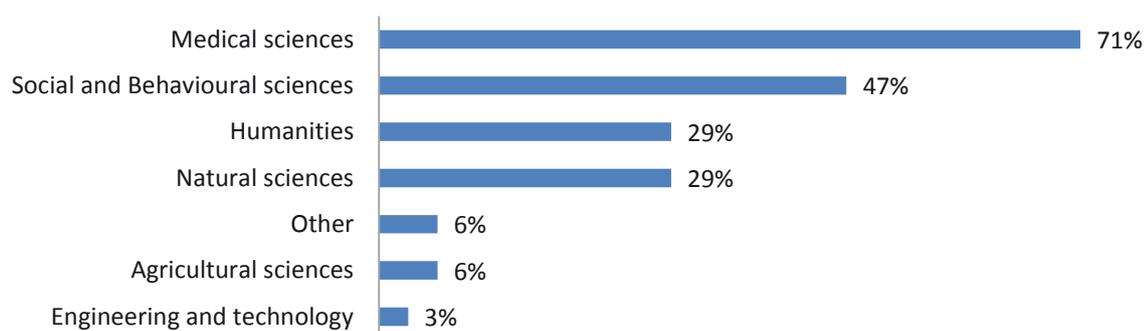
Although the opportunity to set up designated funds is an enrichment for the Dutch foundation sector, they somewhat cloud the estimation of the R&I contributions, as some foundations manage numerous designated funds of which the exact amounts specified for R&I are sometimes unknown.

### 3.4.2 Research areas

Regarding the financial support according to research areas, 71 % of Dutch foundations report that they support the medical science (see Figure 21). Social and behavioural Science is also popular with 47 %, followed by natural science and the humanities, both with 29 %. Medical science is the most frequently supported field. Given the sample of Dutch foundations this is perhaps not surprising. A substantial number of foundations in the Dutch sample belong to the ‘Cooperating Health Foundations’, an umbrella organisation for Dutch foundations in the field of healthcare. These foundations are often fundraising foundations raising money to fight diseases by doing research and raising awareness about prevention. These ‘health’ foundations represent an important group in the Dutch foundation sector supporting research and/or innovation. It is therefore important to realize that even though these foundations are fairly typical in the Dutch foundation landscape, they have a large influence on the results (see the next box for more information).

**Figure 21: Thematic Research Fields**

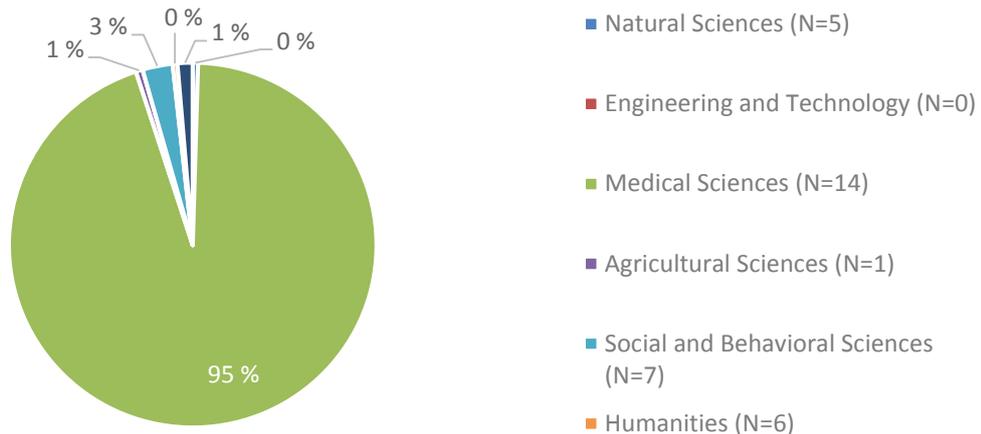
As a percentage of total number of foundations, multiple answers possible (N=34)



This becomes even more apparent when we look at the support for the different research areas in terms of the percentage of total expenditure (see Figure 22). Here, medical science makes up 95 % of the total expenditure on research. The other research areas are hardly present. Social and behavioural science is supported by 47 % of the Dutch foundations, but only represents 3 % of the total expenditure. The prevalence of medical science is explained first by the large number of health foundations in the sample, and second, the sheer size of these health foundations greatly influences the numbers. In the top 5 foundations in terms of expenditure, 3 health foundations are present. The largest foundation in the Netherlands accounts for almost half of the total expenditure. It should be taken into account that the low number of observations (ranging from N=1 to N=14) makes it difficult to draw any strong conclusions about the distribution of research area expenditure.

### Figure 22: Research areas

As a percentage of the total known expenditure on research



### Dutch health foundations

The importance of foundations with a specific focus on health has been noted throughout this report a few times already, as their influence on the EUFORI results is fairly substantial. Of the 48 Dutch foundations with an R&I focus in the EUFORI data, 21 foundations have a specific focus on health. For these predominantly fundraising foundations, investing in medical science research is a key issue, as this type of research can facilitate and accelerate developments that help fight diseases and improve patients' lives. As they rely on donations from individuals they are highly visible for the public. Often these foundations strive to contribute a minimum percentage of their total income to research.

The earlier mentioned Collaborating Health Foundations (Samenwerkende Gezondheidsfondsen) is a partnership, established in 2002, between Dutch foundations supporting a specific health goal. At the moment this organisation has 20 members. Through collaborating, the members can adjust their policies as well as pool their expertise and resources. The Collaborative Health Foundations is an important organisation, as it represents and safeguards the interests of the largest health foundations in the Netherlands (Collaborative Health Foundations 2014).

The Rathenau Institute lists the annual contributions to research of the 20 collaborating health foundations. For 2012 the total amount invested in research by these foundations was EUR 159 million (Rathenau 2014). Here it is important to note that there are differences between the 21 foundations in the EUFORI data and the 20 members of the Collaborative Health Foundations.

Not all of its members participated in the EUFORI study or reported their research expenditure. Moreover, not all the health foundations participating in the EUFORI study are members of the Collaborative Health Foundations. It is therefore difficult to compare the research contributions reported by Rathenau to the EUR 141 million reported in the EUFORI study. There are a few observations that should be noted:

1. The majority of the EUR 141 million reported in EUFORI is accounted for by the largest health foundations.
2. The EUFORI data contain 27 non-health foundations whose contributions are not included in the Rathenau estimate.
3. The EUFORI data contain omitted values indicating that the aggregate R&I contribution of the 48 participating foundations is likely to be much higher.

Based on the previous observations it is safe to conclude that the EUR 41 million reported in the EUFORI study (as well as the EUR 159 million reported by Rathenau) is a modest lower bound estimate, and that the amount contributed by foundations to R&I is in reality higher.

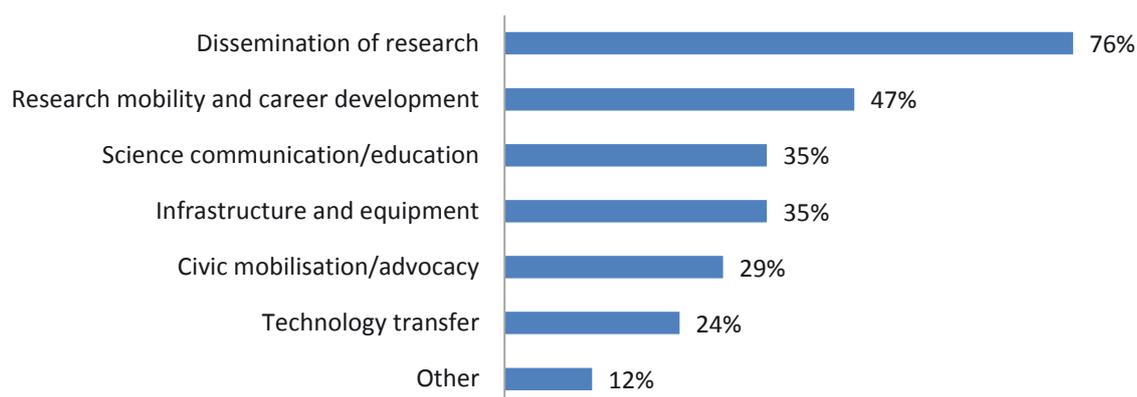
### 3.4.3 Research-related activities

When it comes to supporting activities that are related to research, one activity stands out. The dissemination of research is the most frequently reported activity supported by Dutch foundations. Three out of four Dutch foundations indicated that they support the dissemination of research (see Figure 23). ‘Research mobility and Career development’ is supported by nearly half of the foundations. The categories ‘infrastructure and development’ and ‘science communication/education’ were reported by one third of Dutch foundations. However, the number of observations (N=17) is too low to make any conclusive statements.

The same is true for the distribution of expenditure over the different research related activities. The number of observations ranges from N=1 to N=5 and is therefore not reliable. Moreover, the distribution is heavily influenced by a single major organisation, thus making it difficult to make representative statements.

### Figure 23: Research-related activities

As a percentage of the total number of foundations, multiple answers possible (N=17)



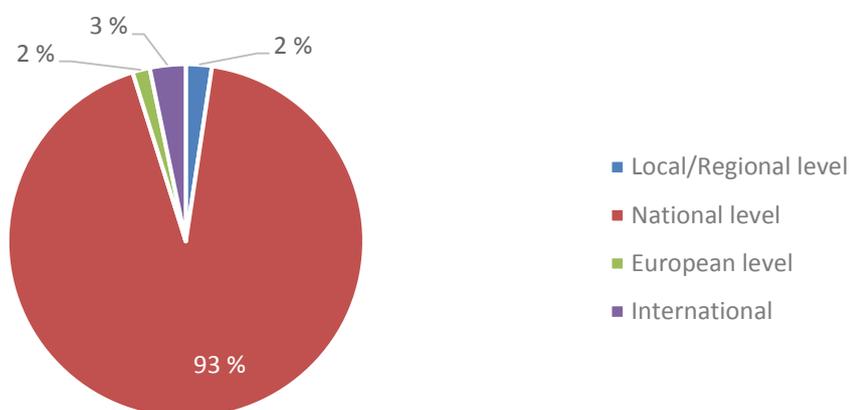
## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

Overwhelmingly, Dutch foundations indicate that their focus is mainly on a national level. That is especially true when we look at the geographical focus in terms of the percentage of expenditure (see Figure 24). Although this Figure is influenced by the larger foundations in terms of expenditure, the national level is the most frequent. Moreover, the average share of expenditure designated to the national level (62 %) easily exceeds the reported averages on the other levels (local 22 %; European 10 %; international 7 %).

### Figure 24: Geographical focus of support

As a percentage of the total (known) expenditure on research and/or innovation (N=24)



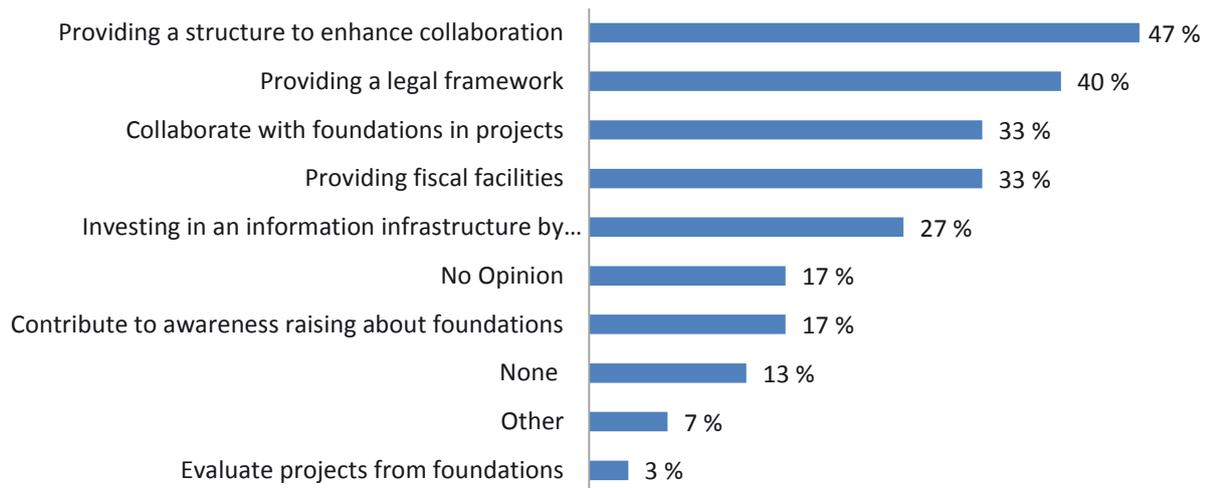
Just 10 foundations reported that they operate on a European or international level. They reported that they have encountered almost no difficulties when operating abroad. All the foundations operating on a European or international level stated that they have encountered no difficulties doing so.

### 3.5.2 The role of the European Union

The Dutch foundations reported that the provision of a structure to enhance collaboration should be the most important role of the European Union (see Figure 25). Nearly half (47 %) of the Dutch foundations indicated this. Other roles mentioned are the provision of a legal framework (40 %), collaboration with foundations in projects (33 %) and the provision of fiscal facilities (33%).

### Figure 25: Role of the European Union

As a percentage of the total number of foundations, multiple answers possible (N=30)

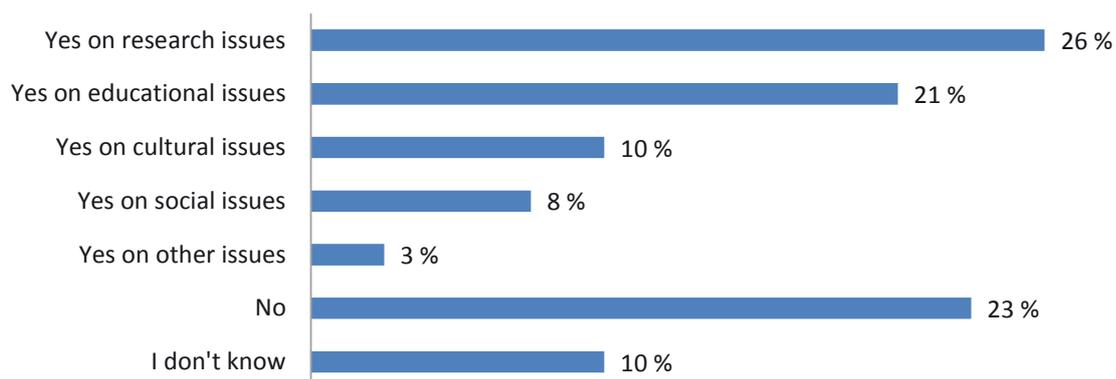


### 3.5.3 Contribution to European integration

From the interviews held with a subset of Dutch R&I foundations it became apparent that Dutch foundations overall do not have a very strong opinion about the role of the European Union or about their own contribution to European integration. This issue does not seem to be a main priority for foundations. To the question about whether their activities contribute to European integration, nearly a quarter (23 %) of the Dutch foundations answered 'no' (see Figure 26) and 10 % were undecided. The remaining foundations acknowledged that their activities contribute to European integration. These activities mainly concern research issues (26 %) and educational issues (21 %).

### Figure 26: Contribution to European integration

As a percentage of the total number of foundations, multiple answers possible (N=30)



## 3.6 Foundations' operations and practices

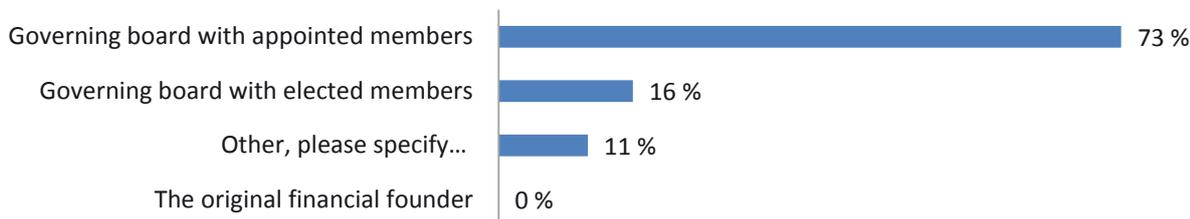
### 3.6.1 Management of foundations

Nearly three out of four Dutch foundations (73 %) indicated that a governing board with appointed members is in charge of defining the annual strategy of the foundation (see Figure 27). The original financial founder was not once mentioned as being in charge, whereas 16 % of foundations reported that a

Governing Board with elected members was in charge of their strategy. Among the answers in the 'other' category, a Supervisory Board was mentioned twice (5%).

**Figure 27: In charge of defining annual strategy**

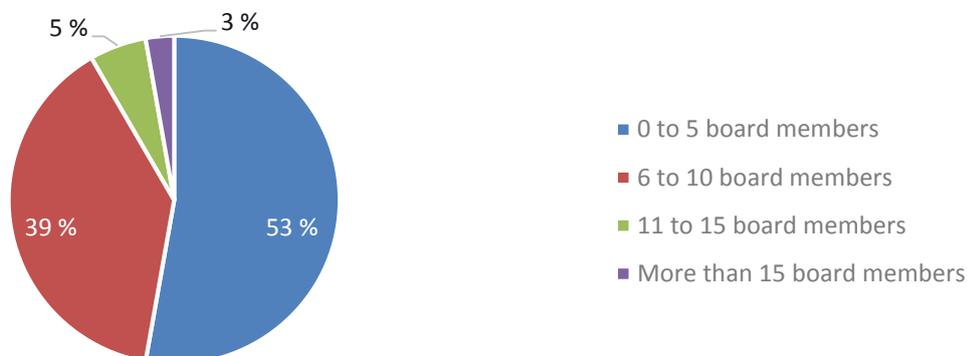
As a percentage of the total number of foundations (N=38)



The number of Governing Board members ranges from 1 to 28. The majority of Dutch foundations (53 %) indicated that their Governing Board ranges from 1 to 5 members see Figure 28). 39 % reported that the governing board consists of 6-10 members. The other 8 % have 11 members or more on their Governing Board. 14 Dutch foundations from the sample reported the number of Supervisory Board members. Here, the number of board members ranges from 1 to 15 members, with the majority (86 %) of foundations having 1 to 10 members.

**Figure 28: Number of governing board members**

As a percentage of the total number of foundations (N=36)



24 out of 39 foundations reported having a professional paid staff. More specifically, the number of paid staff ranges from 1 FTE to 140 FTE for the largest foundation. The mean reported FTE is 22.8.

**3.6.2 How do grantmaking foundations support research?**

The grantmaking foundations answered whether statements concerning the issuing of grants are a daily practice in their organization. The results are shown in Figure 29. Overall, the statements are quite evenly distributed, but a few observations stand out. Firstly, 90 % of the grantmaking foundations demand evidence of how grants have been spent. Moreover, 2 out of 3 foundations indicated that they are never or rarely involved in the implementation of projects.

**Figure 29: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations

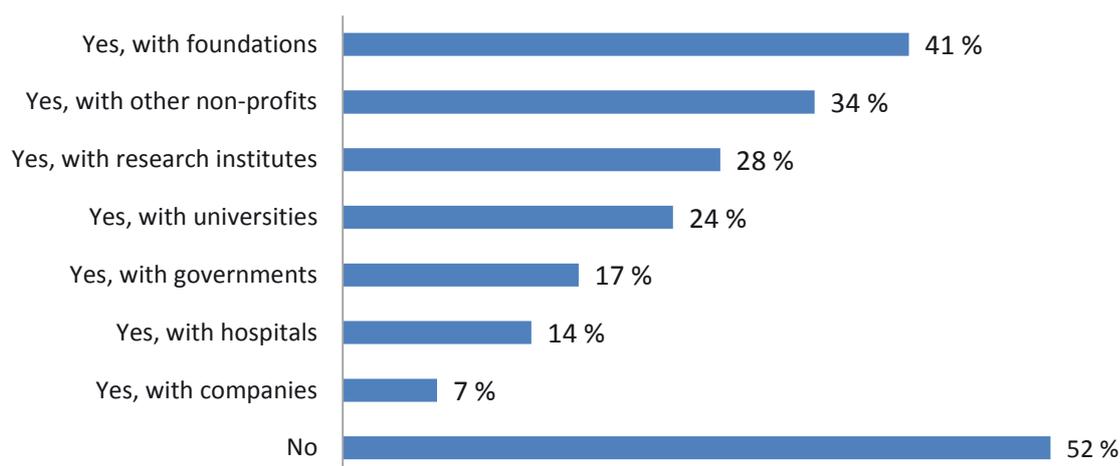


### 3.6.3 Engagements in partnerships

About half of the Dutch foundations indicated that they engage in partnerships with other institutions in the field of R&I (see Figure 30). The most frequently mentioned partners are other foundations, other non-profits and research institutes. The number of observations is too low to make any conclusive statements. However, the interviews conducted with some of the Dutch foundations suggested that foundations do indeed have a preference to team up with other foundations or with other nonprofit organisations.

**Figure 30: Partnerships**

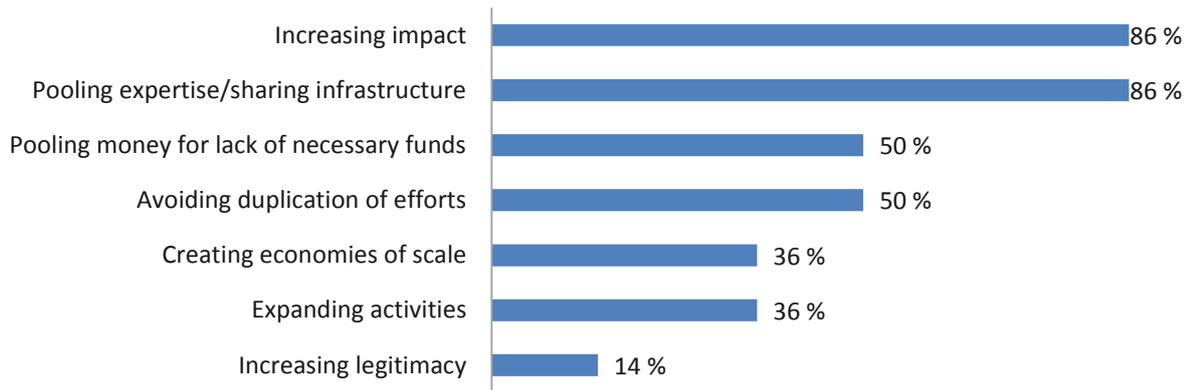
As a percentage of the total number of foundations, multiple answers possible (N=29)



The main reasons for engaging in these partnerships are: to pool expertise (86 %) and to increase their impact (86 %). Again, the number of observations is too low to draw any strong conclusions.

### Figure 31: Motivation Partnership

As a percentage of the total number of foundations, multiple answers possible (N=14)



## 3.7 Roles and motivations

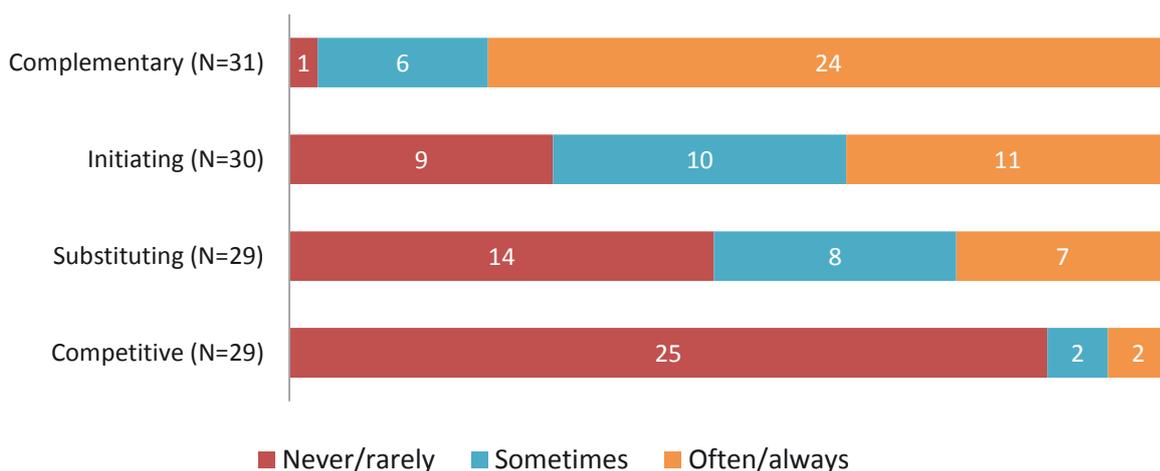
### 3.7.1 Roles

Dutch foundations describe their own role as one that is complementary (additional to public/other support). They certainly do not perceive themselves as a competitor for other initiatives (see Figure 32). During the interviews with the foundations the preference of the complementary role was also emphasised. Many foundations clearly stated that this does not lie within their capacities, nor is it their place to replace the government as a funder, but that they fill in the gaps by supporting certain causes in society when the government's money does not suffice.

Some foundations regard themselves as a substitute for public support, but the views on the substituting role are fairly divided, as foundations are not necessarily comfortable in the role of a government substitute. University foundations in particular are feeling the pressure of less government support and the corresponding diminishing flow of income. More and more they feel the need to become more professional and to look for alternative sources of funding to continue their support for specific fields/projects. University foundations, however, still play a very modest role in financing the universities' research activities and projects. The main source of the universities' research contributions still comes from the government, and this is not likely to change soon.

### Figure 32: Roles of foundations

In Number of foundations



Initiating a project or topic is also a task the foundations perceive for themselves. A good example of a foundation launching this kind of project is the Amsterdam University Foundation, which provided the seed money for the digitalisation of the *Iconographica Zoologica*. The contribution was not nearly enough to create a digital collection of prints, but functioned as seed money for other partners to step into the project. In the end, the Dutch government provided the money needed to finish the project.

# 4 Innovative Examples

Foundations in the Netherlands engage in a number of projects that could be considered as innovative. However, during the interviews, multiple respondents indicated that it is very difficult to state that a successful project is the result of the efforts from just the foundation. With regards to larger projects and projects with a broader scope, foundations in the Netherlands are only one participant. As explained in the section about R&I funding (Section 1.4) in the Netherlands, the government and business are by far the most important players in financing innovation. That said, foundations can sometimes play a crucial role in a specific research area. Also, foundations can provide essential seed money to start up a larger project. Or foundations can take the lead in the creation of an innovative network that may have a large impact as a whole. A number of these innovative practices and activities by Dutch foundations are described in this section.

## Successful partnerships

The Dutch Cancer Society is a foundation that aims to finance research to reduce cancer. With an annual income of more than EUR 146 million (2012), the Dutch Cancer Society is one of the largest foundations supporting research in the Netherlands. Collaboration with other organisations is of the utmost importance when doing research on cancer. The Dutch Cancer Society partnered with Norwegian and Portuguese organisations in TRANSCAN, a network that is part of the European Research Area on Translational Cancer Research.

TRANSCAN is an European Research Area Network funded by the European Commission under the 7th Framework Programme (FP7). It is a collaborative network of ministries, funding agencies and research councils with programmes in translational cancer research. The network is composed of 25 partners from 19 European and Associated countries. TRANSCAN aims to contribute to the building of the European Research Area through the coordination of the activities of national and regional translational cancer research funding organisations, aiming at the integration of basic, clinical and epidemiological cancer research and the facilitation of transnational cancer funding in Europe, with the ultimate aim of streamlining EU-wide cancer screening, early diagnosis, prognosis, treatment and care (EC, 2014).

*Normally, only national governments participate in these programmes. However, as cancer research is not considered a top-priority by the Dutch government, the Dutch public research funding agency ZonMw asked the Dutch Cancer Society if they could join the network instead'*

*(Interview with the Dutch Cancer Society).*

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By supporting the call for proposals with a budget of EUR 1 million, the Dutch Cancer Society has enabled Dutch researchers to write proposals for larger calls, which involve much more money. In the first call, seven out of the ten best proposals came from the Netherlands. In this way, the Dutch Cancer Society was able to, by investing EUR 1 million, leverage funds for cancer research. ‘Especially in the European Research Area, you might find that there is the possibility to leverage funding’ (Interview Dutch Cancer Society).

Another example of a successful partnership in which a foundation played a crucial role is the Amsterdam University Foundation. Like most other Dutch university foundations, this is primarily a fundraising foundation that only recently started to raise funds from the general public. They included the digitalisation of the Iconographica Zoologica in their annual fundraising campaign and donated around EUR 25 000 to this project. The Iconographica Zoologica is a collection of animal-related prints dating from the 19th century, and was created by putting together several collections from the Library of Zoological Fellowship Natura Artis Magistra in 1881-1883. The pictures were systematically classified according to animal classification in those days. The Iconographica Zoologica could thus be regarded as state-of-art of zoological science at the end of the 19th century and is one of the largest collections in the world. The size and system of classification both make the Iconographica Zoologica of high scientific and cultural value.

The contribution of the Amsterdam University Foundation was not nearly enough to create a digital collection of prints, but functioned as seed money for other partners to step into the project. Finally, the Dutch government provided the last bit of money needed to finish the project. ‘As a University Foundation, we often give that extra push. By providing a little money but collaborating, we are able to realise larger projects’ (Interview with the University of Amsterdam Foundation).

### **Innovative projects**

The Adessium Foundation provides an example of a project in which a foundation has made use of knowledge from a scientific field and put it into practice in a different context or sector, and has worked towards the translation from scientific research to practical solutions.

*‘The Adessium Foundation was founded in 2005 by the Van Vliet family, which has a background in asset management. Stimulating research in different areas is one of their goals, besides a number non-research related goals. In 2010, the Adessium Foundation set up the Erasmus Centre for Strategic Philanthropy (ECSP). ‘Analysis has shown that there was a gap between practitioners in the philanthropy sector and scientific institutions that focus on the philanthropy sector. How the philanthropy sector can make use of scientific knowledge to increase their impact is a central theme.’ (Interview with the Adessium Foundation).*

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The Centre was founded in 2010 to contribute to the performance and effectiveness of the philanthropic sector. Since 2014, the ECSP has aspired to be a preeminent and independent centre of knowledge and learning for foundations with the mission 'to support, stimulate and challenge foundations in realising their full potential for societal benefit'. The ECSP fulfills this mission by offering capacity building services in the areas of research, training and education, advisory services, and platform and networking events. The ECSP aims to play a 'bridging role' between academics and philanthropy practitioners. It supports and helps shape the learning dialogue between these groups in order to clarify mutual needs and interests, to identify interesting research opportunities, to enrich academic thinking with experience and insights from daily practice, and to convert research into relevant and useful practitioner materials. Through this approach the ECSP embraces the idea of a vital philanthropy learning ecosystem for academics and practitioners in Europe, and therefore increasingly seeks out international academic partners to explore ways to cooperate and to exchange knowledge (ECSP, 2014).

*'Although it is difficult to state that the ECSP had a large impact on the philanthropy sector – there is always the problem of attribution – we can state that it is now a standing institution. And this would probably not be the case if the Adessium Foundation had not taken the initiative' (Interview Adessium Foundation).*

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Another project from a foundation that had a large impact on a research sector is the support of an entomological library by the Uyttenboogaart-Eliassen Foundation. The Uyttenboogaart-Eliassen Foundation was founded by Dr. D.L. Uyttenboogaart and his wife E.D. Uyttenboogaart-Eliassen to support the scientific study of entomology in the Netherlands. The Foundation has estimated assets of EUR 4 mln, and a yearly income from endowment of EUR 80 000 (Annual Report of the UE Foundation, 2012).

With a relatively small amount, i.e. EUR 50 000 per year, the Uyttenboogaart-Eliassen Foundation supported the establishment of an entomological library by the Entomological Association.

*'The library of the Dutch Entomological Association is one of the three largest entomological libraries in the world. Since its founding in 1845, the association started to collect literature about entomology. The library contains a complete collection of historical entomological works and a comprehensive collection of recent literature on entomology. Besides being of major importance to science, the library is also to be considered of great importance for its cultural heritage. In recent decades, the library has been hosted by the University of Amsterdam, while the association has remained responsible for acquiring sufficient funds to keep the library financially sustainable (Dutch Entomological Association, 2014). The Uyttenboogaart Eliassen Foundation provided the necessary means to keep the library financially viable. Meanwhile, the Dutch Entomological Association started to publish scientific journals and, nowadays, these journals make*

*enough revenue to keep library financially stable  
(Interview with the Uyttenboogaart-Eliassen Foundation).*

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### **Projects engaging the public's interest in research**

Another project supported by the Uyttenboogaart-Eliassen Foundation was specifically focused on engaging the general public in research on insects. 'A higher public profile for entomological research is one of the goals as a foundation. Therefore, as part of their 75th jubilee, we collaborated with the Dutch Agency for Forests (Staatsbosbeheer) in order to create an insect reserve' (Interview with the Uyttenboogaart-Eliassen Foundation).

Strabrecht Heath has been given the status of insect reserve to stress the importance of insects and to serve as an example for the preservation of other terrains for insects. The foundation financed the restructuring of the insect garden, the creation of a QR-walking route and information panels about the insects in the environment, and how the management focuses on insects. Also, the foundation guaranteed to maintain this information infrastructure for ten years (Uyttenboogaart-Eliassen Foundation, 2014).

### **The introduction to the market of new products, methodologies, services and/or technologies.**

Most of the interviewed foundation representatives struggled with attribution. They were unsure whether a product or service they introduced would not have been created if they had not taken the initiative. Also, as other players were also involved in the process, they felt the need to stress that the success of a project was not only dependent on their work, but that it benefited from many other players as well. However, health foundations in particular have proven to be successful in the introduction of new products related to their specific field. For example, the Dutch Cancer Society has invested a lot in radiotherapy, making the Netherlands one of the leading countries in this therapy. Also, the Dutch Lung Foundation can be credited as the driving force behind the development of the powder inhaler and has stimulated a lot of other lung disease-related research.

*Regarding treatments we invested a lot in radiotherapy and how we can deal with the side effects of the treatment. For example, by focusing on imaging and treatment, the radiation field is now being managed and adapted according to needs. We connected the radiation device with CT scanning. Because of this, treatment always goes where it should and causes less damage. In the Netherlands, we have now a strong tradition in radio therapy, and our radio therapists are also very active in the European Organisation for Research and Treatment. Until today, the Netherlands has had the highest inclusion of patients in medical studies.*

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*Innovation in the field of radiotherapy has always taken place in the Netherlands. We focus on treatment, the quality of treatment and how to focus better on therapy. There are only a small number of patients with esophagus cancer. If you want to treat those patients, you have to specialise. Also, with regards to skills, you have to focus them. We have carried out studies to find out whether focusing is better, which does not necessarily mean that you have to carry out a certain number of surgical treatments, but also if a number of skills are available by collaborating with others. We found out that this results in an decrease in morbidity and better recovery afterwards' (Interview with the Dutch Cancer Society).*

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The development of the powder inhaler can serve as another example. In the past, asthma was thought of as a psychological disease, which was especially present in individuals small in size who mostly had blond hair and blue eyes. If these people were exposed to stress or became nervous, they would develop breathing difficulties. However, physicians found out that there were physical causes for asthma.

When people realised that asthma was a disease, both citizens and physicians wanted to do something about it. The citizens were involved in launching campaigns in order to organise holidays for children with asthma, and physicians wanted to do scientific research.

A national umbrella organisation focusing on asthma was therefore needed. This organisation would collect money to do research into the causes of asthma and to develop better treatment, which led to the founding of the Dutch Asthma Foundation in 1959 (Lung Foundation, 2014). The Lung Foundation had a revenue of EUR 13.7 million in 2013, and spent around EUR 21 million directly on research (Annual Report of the Lung Foundation 2013, 2014).

*The powder inhaler is one thing we can say is there because of us. But would it be there without the Lung Foundation? Also, we financially supported a number of studies and methods on asthma and COPD. Some decades ago, the Lung Foundation (then called the Asthma Foundation) was the only, or at least by far the largest organisation financing asthma-related research. Later on, the government and other organisations stepped in, but back then the Asthma Foundation was the only one. The same accounts for COPD. Some years ago, nobody knew what COPD was about. Nowadays, 70 % of the population knows that COPD is a lung disease' (Interview with the Lung Foundation).*

*'Something else in which are the leaders is the development of uniform healthcare protocols regarding lung disease. The Netherlands is the only country in the world that has uniform protocols for the treatment of COPD. As the Lung Foundation, we developed this protocol together with doctors treating COPD patients and policy-makers in two years. We are absolutely sure that this is beneficial to the treatment of those patients, but would you call it research? We think it is part of our "care" program' (Interview with the Lung Foundation).*

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# 5 Conclusions

## 5.1 Summary

The Netherlands has a strong philanthropic tradition in which foundations play an important role. In the last two centuries there has been a remarkable increase in the number of philanthropic foundations. Moreover, starting from a traditional role (social welfare) foundations have expanded and diversified their focus to include other fields of interest such as research and innovation. However, from existing sources little information is available about the specific development and contribution of foundations supporting research and/or innovation. The EUFORI study is therefore an important addition to the existing data on foundations' contributions.

In the EUFORI study, 100 Dutch foundations with an R&I focus were identified. From the results of 48 foundations we learned that for the majority of Dutch foundations research and innovation is not their exclusive focus. Only a quarter (26 %) of the foundations have an exclusive focus on research, but these foundations are predominantly smaller foundations with a narrow and specific research focus. Among the remaining 74 % there are foundations that support other purposes besides supporting research. For some of these foundations, research plays a modest role and functions as an instrument for other purposes rather than being an end in itself. When it comes to the distribution of research versus innovation we find that research is much more mainstream in terms of support than innovation. Nearly all foundations (98 %) support research, whereas 50 % of foundations make contributions to innovation. Yet, the support for innovation in terms of expenditure is negligible (only 0.9 % of the total R&I expenditure) compared to the support for research (99.1 %).

The common characteristics of Dutch foundations are an emphasis on grantmaking activities (by 77 % of foundations), the maintenance of an endowment (by 83 % of foundations) and their independence from the government (only 10 % reported receiving money from the government).

However, the foundations in the EUFORI data also show an interesting diversity. Different income sources were reported. Besides the maintenance of an endowment, which nearly all foundations have, the donations from individuals and from corporations are mentioned as important sources of income. This results in an even distribution (both with 41.5 %) between mainly endowed foundations and mainly fundraising foundations. The remaining foundations are hybrid foundations. When it comes to the size of foundations in terms of assets, income and expenditure we find that a variety of small, medium, large and very large foundations are represented in the study. The foundations report a total income of EUR 412 million, total assets of EUR 1 654 million and a total expenditure of EUR 315 million. The distribution in the data needs to be taken into account, as we find that these financial statistics are heavily skewed towards a small group of very large foundations.

A significant amount of money is contributed by the 48 Dutch foundations responding to the EUFORI study. In total, these foundations contribute EUR 142.6 million to research and innovation. Given the response rate (50 %) and the omitted values in the data this should be considered as a lower bound estimate. Still, it is expected that the largest share of R&I contributions by foundations has been analysed by EUFORI since the largest contributors were included in the study and most of the expenditure was accounted for by only a few foundations.

Another observation that stands out is the unmistakable and characteristic influence of the Dutch health foundations. The main share of research and innovation expenditure originates from these foundations. As a consequence of the large number and considerable size of health foundations, the amount of money contributed to medical science is 95 % of the total research contributions, and overshadows other research areas. Social and behavioural science, for example, is supported by nearly half of the foundations, but the total contributions to this field amount to only 3 % of the total research expenditure. Dutch foundations prefer direct research over research-related activities. The most popular research-related activity is the dissemination of research (supported by 76 % of foundations). Dutch foundations also have a preference for applied research (including translational research) over fundamental/basic research, which also seems related to the support of medical science.

Dutch foundations are independent from the government, and they predominantly view themselves as being complementary to the State. They are aware that their role is subject to change as the government reconsiders its support and is shifting its position in particular areas. Foundations view it as their duty to fill in the gaps where government support does not suffice, but they also indicate that they are not a substitute for government expenditure.

## 5.2 Strengths and weaknesses

### Strengths

One of the strengths found in the group of foundations participating in EUFORI is the strong support of the medical science. Typically, these foundations are fundraising foundations that are highly visible to the public, and are highly professionalised. The main contributors to research within the EUFORI study are some of the largest health foundations.

Another strength of this specific group of foundations is that they have organised themselves within the 'Collaborating Health Foundations'. Through collaboration the members form a strong collective and contribute to specific projects that transcend their individual goals but which are constructive for their research. For example, projects that are beneficial to multiple health organisations, but which are quite expensive to support, are ideal projects to pool resources for. The participating foundations all benefit from their research and the research costs for each foundation are lower.

Dutch foundations supporting research and innovation are financially stable and solid. On the one hand, fundraising foundations have proven able to attract resources from the general public over a long period of time. On the other hand, endowed foundations have relatively stable revenue. This enables the foundations to operate independently, and lowers the risk of becoming bankrupt or their mission corrupted.

Foundations in the Netherlands operate in a long tradition of a supportive legal and fiscal environment. There are only a few minimal legal requirements in order to set up a foundation, and the bureaucratic burden of running a foundation is low. Also, foundations supporting research and innovation might benefit from a broad range of fiscal measures. This has resulted in a broad spectrum of (small) foundations which might not have existed otherwise.

## Weaknesses

A few weaknesses stand out that have strong relationships to each other. Firstly, the landscape of foundations supporting research and innovation is quite fragmented at the moment, with each foundation contributing to its preferred field of interest. Collaboration is taking place within various research areas, but not quite yet between these areas.

The strength and dominance of Dutch health foundations also signifies a weakness in the Dutch foundation sector: the overall narrow focus of foundations. We have found that foundations often stimulate a particular research field such as medical science and do nothing for science on a broader level.

The very specific focus of foundations is also related to the fact that research is used as an instrument for other support areas rather than being a purpose in itself. Foundations therefore do not identify themselves as a 'research' foundation and are not visible as such, which makes it difficult for the public to find them. This lack of research profiling could also be a barrier against potential collaborations between foundations that have mutual goals but are not able to find other like-minded foundations.

The Dutch foundation sector in general consists of many small foundations that make modest contributions to their field of interest. This expression of pluralism shows the diversity of foundations' purposes, but one drawback is that these foundations are often too small to have a professional organisation. These foundations are typically established by means of a small endowment, are administered by volunteers, and usually rely on only a few members of staff. They therefore lack the organisational capacity to engage in partnerships or to increase the impact of their contribution.

Foundations in the Netherlands operate independently from the government and/or commercial enterprises. This might be a result of their vision that they consider themselves as primarily complementary to other actors. However, especially in the field of research and innovation, the government and business account for the majority of investment in R&I. Structural collaboration may increase support for R&I foundations by becoming more aware of society'd needs. The example of the Dutch Cancer Society (Chapter 4) may inspire other foundations in this respect.

## 5.3 Recommendations

A general recommendation is to stimulate a culture that is centered around research. The Netherlands is a country that scores well on innovation, and is characterised as a knowledge-intensive economy. It is therefore remarkable that another strength of Dutch society, a rich and diverse foundation sector, does not play a part in the current policy discussion about the stimulation of research. This is mainly due to a lack of organisation between foundations with regards to the theme of research, and the absence of urgency by the government that a collaborative structure to promote donations to research is of added value.

A research culture needs time to grow and develop, but can be initiated and stimulated by all the players involved in R&I (e.g. foundations, commercial enterprises and the government). Also, beneficiaries such as universities and research institutes could be more involved by actively seeking partnerships with (groups of) foundations to realise projects.

Below follow specific recommendations for foundations and for the national government that could contribute to the enhancement of the aforementioned 'research culture'.

### Foundations

To play a more active role in the stimulation of Dutch research foundations need to organise themselves around this theme. Currently, a collaborative structure such as the 'Collaborating Health Foundations', is absent on a broader research level. A 'science-wide' partnership/structure which enables foundations to connect and convene around science could help foundations in the pooling of expertise and resources for a contribution to research. In this way the visibility of R&I foundations would be increased, thereby stimulating a philanthropy-oriented culture among the beneficiaries (e.g. universities, research institutes).

Another option to encourage foundations to carry out research is the establishment of a national science foundation. Currently lacking in the Netherlands is a large foundation with a leading function and a broad focus when it comes to the support of research and science. There are a few outstanding foundations that make considerable contributions, but their focus is either narrowed down to a specific field of science, or so extensive that it includes many other purposes besides supporting R&I. A foundation that champions research and innovation, and that has an exclusive focus on this field, is at the moment not present in the Dutch foundation landscape. This kind of foundation could serve as a guide and example to other foundations, but it could also take on a coordinating role in the support for research by organising conferences and pooling expertise as well as resources. Moreover, small endowed research foundations that are now operating alone could join this science foundation as a designated fund, thereby using the expertise and administration of the main science foundation to increase the impact of its own contribution. To be more concrete, the Prince Bernhard Foundation for Culture might consider repositioning itself as the Prince Bernhard Foundation for Culture and Research.

## The government

Since 2005 the national government has invested in the stimulation of private giving for research by means of a taskforce 'Giving for research'. This taskforce recommended a few measures that could stimulate donations to research by commercial enterprises. Granting the positive development that the government recognises the importance of philanthropy, it is strange that there is hardly any dialogue between the government and the foundation sector in the area of research. The Dutch national policy 'to the top' emphasises the absence of this dialogue. Since 2011 the government has invested in R&D by means of a national policy where different 'top sectors' deemed as crucial for the knowledge economy are encouraged to create collaborative structures consisting of public-private partnerships. The policy revolves around collaboration on knowledge and innovation between the government, the business sector, universities and research institutes.

On the one hand, the absence of foundations here is understandable given their limited financial weight. On the other hand, the strength of foundations lies in their expertise in a specific research area, and in the contact they have with both investors/donors and with the receiving research institutes. As a consequence, the foundation sector is, potentially, an ideal mediating structure, with the expertise and contacts to raise interest.

However, as mentioned previously, currently there is no real collaboration between foundations on the support of science in general. If the national government recognises the potential of foundations as a partner in the advancement of Dutch research it could certainly play a role in the initiation of a collaborative structure for foundations. Building on the work of the taskforce and of this study, the government could bring foundations with an interest in research together and encourage them by means of specific tax advantages for the support of research.

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Norway Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Karl Henrik Sivesind  
Daniel Arnesen

Research and  
innovation



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# 1 Contextual Background

## 1.1 Historical background

Norway has a weak philanthropic tradition due to small social, cultural and economic differences within the population. After being subject to Danish rule for 400 years, Norway became independent in 1814, reorganising under its own constitution. Few feudal structures remained, and the nobility was abolished. The civil servants previously appointed by the Danish king had formed an enclave of immigrants, and the upper-middle class was small and not very self-confident. The fishermen and peasants were rather poor, yet they enjoyed more freedom and equality than elsewhere in Europe, even before the Labor movement started pushing for greater equality. This resulted in a common set of values for the upper and lower classes. In the local communities, people reinforced mutual normative control, forcing everybody to work. Not working was criminalised and begging was only allowed for certain groups such as the disabled and school pupils. Resources were scarce, and it was almost impossible to survive the harsh climate without being part of a household that produced heat and food. As Henrik Stenius writes, 'Wealth was limited and those who had more of it were led to think that giving away donations was not necessarily a good deed. Much better was to try to force everybody to do their duty (i.e., work)' (Stenius, 2010: 41). Thus, private charity was very rare, and resources for helping the deserving poor were gathered and distributed mainly by the local church. While the Nordic countries had some examples of hospitals and charitable women's societies, such philanthropic practices came out of an urban culture that was very marginal in Norway, since a major part of the population was scattered along the coast and in rural areas. In the Nordic countries it was difficult to find examples of philanthropy that could sustain the operations of large institutions in the fields of welfare, culture or education (Stenius, 2010: 41-42).

A 'Scandinavian model' of welfare provision, with a relatively strong element of citizenship rights and state responsibility for welfare, was introduced as an idea in the nation's politics even before the turn of the twentieth century (Kuhnle, 1981) – long before the Labor movement came to power. The popular movements emerged in the early 19th century, mobilising people around religion, temperance, the new Norwegian language, labour issues, enlightenment, sports and shooting, as well as help for blind and deaf people. Since then, voluntary organisations have pioneered the provision of welfare services. However, as welfare needs were revealed and defined, it gradually became clear that the voluntary sector lacked the necessary capacity and resources to meet these needs. Thus, the State became accepted as the main source of funding capable of meeting welfare needs (Kuhnle, 1983; Kuhnle and Selle, 1990). Nevertheless, some (limited) space exists for voluntary organisations to provide welfare services in collaboration with the public sector. As such, voluntary and public sector welfare provision have grown simultaneously.

While welfare provision grew, donations remained scarce as strong sentiments against philanthropy evolved. First, the Labor movement considered philanthropy as a concealment of underlying social problems or as a cover operation for the rich to help the rich. Later, organisations for sick and disabled people

argued that nobody should have to rely on other people's generosity to pay for his/her basic needs. A State guarantee to meet these needs was a matter of dignity and basic human rights. Therefore, policy-makers did little to promote private donations by tax deductions or institutional changes. Philanthropy has rather been regarded as a largely unnecessary and outmoded concept, except for serving certain fields perceived as outside the public sector's core responsibility, such as missions, religious congregations, help for the homeless and substance abusers, and foreign development and disaster aid.

In the early 20th century, the popular movements (farmers, fishermen, small-holders, temperance, lay Christian, social and humanitarian associations, as well as a countercultural struggle for a New Norwegian language) grew stronger by activating broad segments of the population through membership activities and volunteering. In relatively poor but equal local communities, many people could give a little of their time even if they were short of money. This practice appealed to people's work ethic. An institution of 'dugnad', or voluntary community effort, had existed since the Middle Ages. People were expected to contribute a certain minimum amount of work to common responsibilities, such as mutually assisting neighbors or building common goods such as churches, roads and community houses. 'Dugnad' also applied to voluntary organisations, which came to be considered a crucial part of this common responsibility. Similar to the other Nordic countries, Norwegian social security focuses on self-help through work and public welfare rather than philanthropy, as donations would not amount to much income (Kuhnle 1981; Stenius 2010). Volunteering, on the other hand, has been used extensively by national voluntary associations. Moreover, social democratic policies have not supported philanthropy, based on the assumption that the results would be disguised rather than reduced social inequality. This means that Norway would grow to be a very rich but not very generous society, as it would appear from the level of monetary donations. However, volunteering and non-market transactions are still much more important sources of income for the voluntary organisations. <sup>[1]</sup>

Historically, there have been few Norwegian foundations accumulated from a large number of donations or from larger private fortunes. Older foundations often have a small capital basis and distribute grants for local purposes (Backe and Krøvel, 1940; Nicolaysen, 1858-1894). Håkon Lorentzen finds that during the 19th century a large number of small foundations were established to provide economic support for vulnerable groups or education for individuals, often limited to inhabitants in a local community or parish (Lorentzen, 2004). This raises the question as to how could foundations supporting R&I evolve in a country where philanthropy only recently came to be considered a significant force? In the next section we will be looking at changes after the Second World War, and thereafter at the changes in the new millennium and what the present foundation landscape looks like.

## Foundations in Norway after the Second World War

In the post-war period, several larger foundations originated from relatively wealthy donors, most often related to shipping. In the twentieth century, some ship-owners made large fortunes, particularly from

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1 This section about the historical background is based on a chapter called 'Giving in Norway: An ambitious welfare state with a self-reliant nonprofit sector', forthcoming in: Wiepking, Pamala and Handy, Femida (eds) *The Palgrave Handbook on Global Philanthropy*. Basingstoke and New York: Palgrave.

whaling and oil transportation, and parts of their fortunes were channeled into grantmaking foundations. Also, fortunes from some land-based industries were transformed into assets (Lorentzen, 2004). Some foundations were created in order to preserve the structure of an industrial company. By giving up individual ownership rights and placing all stocks in a foundation, the factory or industrial company was assumed safe from fragmentation and speculation. Most often, stocks were placed in a holding company, which was controlled by the foundation. This means that the foundation controlled the market operations of the firm, as well as surplus from production. Parts of that surplus would be channeled back into the foundation and distributed as grants, while the rest would be reinvested in production (Lorentzen, 2004). In 1939 there were 6 000 foundations in Norway (Backe and Krøvel, 1940; Lorentzen, 2004), in 1998, almost 60 years later, this had increased to more than 9 000 registered foundations (Sivesind, Lorentzen, Selle, and Wollebæk, 2002). A typical large foundation would have an asset of NOK 100–500 million, (EUR 12–60 million), and distribute grants of NOK 3–5 million each per year. Less than 5%, or 30-50 foundations, belong to this category. The average annual amount distributed as grants was NOK 266 000 (approximately EUR 3 300) per foundation (Lorentzen, 2004: 27). In Sweden, there were three times as many grantmaking foundations that distributed more than four times as much as in Norway. The Wallenberg-foundation in Sweden alone distributed more than the 50 largest foundations in Norway (Lorentzen and Dugstad, 2010). However, there was also a much smaller number of operative foundations in Sweden in 2002; only 1 560 compared to 6 000 in Norway (Wijkström and Einarsson, 2004). Two thirds of the foundations in 1998 were operative, and one third was a grantmaking foundations (Lorentzen and Dugstad, 2010). Denmark has several large foundations that own businesses but also give grants to scientific, humanitarian and cultural purposes such as the Carlsberg-foundation.

In Norway, many operative foundations have been established since the seventies, in the fields of service provision, research, cultural institutions, and more recently volunteer centres. Still, almost all Norwegian foundations were very small and none of them were large in the Scandinavian context. No private grant-making foundations existed with equity capital above EUR 124.4 million (NOK 1 billion) before the end of the nineties, with expectation of the Freedom of Expression Foundation, which reached EUR 200 million by year 2000.

While the economy grew, and public ownership of private companies was kept at a high level even in the oil era, private capital remained limited. This limited the growth of foundation capital from private sources.

According to Håkon Lorentzen (2004), some of the most prominent foundations in 1998 were:

- The Anders Jahre's Foundation for Promotion of Science (Anders Jahres fond til vitenskapens fremme), established in 1953 and supported by ship-owner Anders Jahre, presents awards and supports scientific work in medicine, law (primarily at the University in Oslo) and chemistry and marine technology (primarily at the Norwegian University for Science and Technology (NUST)). The foundation capital reached EUR 17 million (NOK 144 million) by 2004. This is one of the few examples of private philanthropy supporting an R&I foundation of significant size. In addition, Anders Jahre also established a Foundation for Humanitarian Purposes (Anders Jahres Humanitære stiftelse) in 1966.
- The Sat Sapienti Foundation established in the early 1970s from a donation by Harald Throne Holst,

the owner of a large chocolate factory Freia. The foundation capital was around EUR 12.5 million (NOK 100 million) in 1998 and the foundation is engaged in cultural work, particularly the preservation of ancient buildings. It also promotes Nordic cultural cooperation.

- The Freedom of Expression Foundation – can trace its roots back to the Narvesen Kiosk Company, founded in 1894, which was a family owned stock company that operated on a for-profit basis. However, it had some additional limited philanthropic activities, such as the Narvesen Award and financial support for the education of journalists. The company had a license to operate kiosks on state-owned railway stations. For the purpose of securing free speech through the distribution of newspapers and journals, which was a great concern for many in the politically polarised post-war period, ownership of the Narvesen Kiosk Company was transferred to the not-for-profit Freedom of Expression Foundation. The owners were willing to sell their shares at reduced price and the shares were transferred to a not-for-profit public utility foundation on 1 January 1975. Through a simultaneous merger of Narvesen with Norsk Spisevognselskap, a wholly-owned subsidiary of the Norwegian State Railways (NSB), a ‘structural rationalisation’ was necessary, and this served as a legal backing for granting the private owners of Narvesen tax-exemption for their loss. There was no precedence for this ‘Lex Narvesen’. Contacts at a high political level were important to make the deal possible. The Freedom of Expression Foundation held 59 % and NSB 41 % of the share capital in the merged company, which was subsequently named Narvesen. In 1995 NSB sold its equity in the company, and in 2001 the Freedom of Expression Foundation also sold the last stakes when Narvesen merged with the Reitan-group. With a more complex media-scene and the growing importance of the Internet, the Narvesen Company no longer played a key-role in securing free speech in Norway. However, the Freedom of Expression Foundation continued to promote freedom of expression, in line with the foundation's written mission statement, through the Freedom of Expression Prize and the Freedom of Expression Tribute, direct support for special projects, etc.

Since the 1970s an increasing number of operative foundations have been established by the public authorities to strengthen accountability and limit direct political control of research, cultural and welfare institutions (Lorentzen, 2001). This Norwegian orientation towards the public sector as a first mover has created a grey area between the public sector and civil society, where ownership often is unclear, resources from different sources are entangled, and it is difficult to see where the influence of the public sector ends and the legally required independence of the foundations begins. Many foundations established by private entrepreneurs therefore focus on backing activities, ideas, arrangements and projects that have failed to attract sufficient public support, such as the preservation of cultural memorials, the restoration of ancient buildings, economic support for festivals, musical instruments, cultural activities, a particular service of a public institution, communal volunteer centers, self-help groups or support for extraordinary purposes at public welfare institutions are examples (Lorentzen, 2004). As we will see in the following section, there are several research institutes established as foundations in Norway with support, and in many cases on initiative, from the ministries, directorates, regional university colleges and research councils.

## 1.2 The Foundation landscape

Since 2000, a number of large foundations by Norwegian standards have emerged, and this has become a very important feature in the present R&I-foundation landscape.

One of the larger Norwegian grantmaking foundations was established by the municipality of Kristiansand in southern Norway with capital from sale of a hydroelectric production company in 2000. The Cultiva foundation supports cultural and knowledge institutions, and contributes to innovation, development and knowledge-building in Kristiansand. Until the end of 2010, EUR 21 million had been given to such purposes, including 3.7 million to the development and establishment of education, competence and expertise at the University of Agder, Noroff College and Sørlandets Knowledge Park. In 2011, the booked foundation capital was EUR 174 million. However, since 2012 no new grants have been awarded as a result of a low return on capital in the slow financial markets. The Competence Development Fund of Southern Norway (CDFSN) was established by fifteen local public authorities in the county of Vest-Agder in 2000, and the foundation's funds were raised from a donation of shares in the newly merged hydroelectric power company Agder Energi AS. In 2011 the booked foundation capital was EUR 80 million. The Cultiva foundation and the Competence Development Fund of Southern Norway (CDFSN) belong to the target group for the EUFORI-project which are foundations that from 2005-2012 have supported or operated research <sup>[2]</sup>, research-related activities <sup>[3]</sup> or innovations. <sup>[4]</sup> They are among the 10 largest R&I-foundations in Norway in terms of foundation capital according to data from the Foundation Register (see Table 1), and they were established by the public authorities in year 2000.

The Freedom of Expression Foundation also continued to grow after 2000. After the sale of Narvesen, all the equity capital was invested in the stock market, securities and property, including institutions such as the House of Literature in Oslo, and the Free Word Centre in London that houses organisations working for free speech. The Freedom of Expression Foundation expanded its capital from EUR 200 million in 2001 to EUR 323 million in 2012. This has secured a very strong and independent economic platform and the ability to work in line with the foundation's written mission statement through other means than securing the distribution of printed media. The Freedom of Expression Prize and the Freedom of Expression Tribute still attracts much attention. The Freedom of Expression Foundation awards scholarships and supports education and the production of books, movies and exhibitions, and has initiated new institutions such as the House of Literature in Oslo and the Free Word Centre in London, and has recently supported a research project on freedom of expression. The foundation also has supported the dissemination of research, for example by collaborating with the Sparebankstiftelsen DnB on supporting Store Norske Leksikon, a comprehensive contemporary Norwegian language online encyclopaedia with signed articles by professors,

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2 'Research' is defined in the EUFORI-project as basic and/or applied research projects or programmes covering all thematic aspects of science, technology from the social sciences, humanities, engineering and technology, to natural sciences, agricultural sciences and medical sciences.

3 'Research-related activities' include support for projects/programmes on researcher mobility, knowledge transfer, civic mobilisation or advocacy (trying to change social opinions and/or behaviours regarding science), infrastructure, dissemination of research (seminars, conferences, etc.) and science communication (museums and science parks).

4 'Innovation' includes the introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects

researchers and experts, in addition to a medical encyclopaedia, and a biographic encyclopaedia. This is clearly a foundation that has an innovative approach to the purposes it supports. It is one of the largest R&I-related foundations in Norway in terms of foundation capital according to data from the Foundation Register (see Table 1) through supporting dissemination, research-based education and research directly. In recent years, some new large grantmaking foundations emerged from the conversion of savings banks and mutual insurance companies. They have been converted to limited companies to have more flexibility when it comes to capital increases or mergers with other limited companies. In the conversion process, some of the equity capital has been placed in foundations representing the former mutual owners' part of the equity. These foundations make donations to causes in local communities or on a national scale, depending on their previous localisation. The largest is the Savings Bank Foundation DNB (Sparebankstiftelsen DnB), which holds a major share of the stocks of the financial service-company DNB. The foundation may allocate up to 25 % of the paid dividends to charity, with the purpose of continuing the savings banks' tradition of giving monetary gifts to nonprofit causes with a particular focus on culture and activities that involve volunteers and create activities in local communities. In line with the previous saving banks area of operations, the focus is on south-eastern Norway. In addition to giving direct financial contributions, the Savings Bank Foundation invests in causes that benefit the general public. In 2005, they founded the instrument fund, Dextra Musica, with the aim of promoting classical music. The fund owns a collection of stringed instruments which have been placed at the disposal of Norwegian musicians. Furthermore, the foundation invests in fine art which is being exhibited at art museums in Norway.

The UNI Foundation resulted from the merger of the mutual UNI with the limited company Storebrand in 1990. The foundation supports many types of cultural activities, but also research in medicine, the prevention of fire and accidents, environmental protection, and museum and preservation technology. In 2011 the booked foundation capital was EUR 80 million.

The Gjensidige Foundation (Gjensidigestiftelsen) holds more than 60 % of the shares of the large insurance and financial service company Gjensidige Forsikring. The mutual insurance company, with roots in local fire insurance companies in the 1820s, merged with the largest savings bank Sparebanken NOR in 1999, which again merged with Den norske Bank (DnB) in 2002. However, in 2005 Gjensidige Forsikring was separated from the DNB-group. Gjensidige Forsikring was converted to a public limited company in 2010 and the Gjensidige Foundation, which represents the former mutual owners, was converted from a non-commercial to a commercial foundation. In 2011, the book equity of the foundation was EUR 2.85 billion, which makes it the largest R&I-related foundation in Norway. The objectives are to manage its long-term ownership of Gjensidige, to pass on a share dividend to Gjensidige's non-life insurance customers, and in addition to give charitable donations to promote safety, health and the public benefit. From 2007 to 2013, the Gjensidige Foundation distributed over NOK 800 million to more than 3 300 projects. The foundation supports some R&I-projects such as, medical research preventing injuries to children in cars and accident prevention among the elderly, and the Nord-Trøndelag health study (HUNT), which is one of the largest health studies ever performed, a population study combining personal and family medical histories. The Gjensidige Foundation also promotes the dissemination of research through supporting Inspiria 'knowledge centers' (vitensentre) in Tromsø and Arendal, which are popular scientific, experience and learning facilities, where visitors learn by experimenting with a focus on mathematics, science and technology. The

foundation is limited by statutes to give grants only in Norway. Collaboration with European foundations would therefore have to take place in Norway. The Gjensidige Foundation, therefore, sees little need for more European coordination of foundation activities by the EU or other institutions outside Norway.

The Gjensidige Foundation and the UNI Foundation, resulting from recent conversions of mutual insurance companies, are among the 10 largest R&I-related foundations in Norway in terms of foundation capital according to data from the Foundation Register (see Table 1).

A Fund for Research and Innovation (Fondet for forskning og nyskaping, AKA Forskningsfondet) was established by the Government in 1999 in order to fund long-term, basic research with a focus on measures to improve the quality of research. The foundation capital increased from EUR 0.5 billion to almost EUR 10 billion in 2011. About EUR 250 million of the revenue was distributed by the Research Council of Norway, EUR 100 million went to universities and colleges and EUR 87 million was used to pay for Norwegian participation in the European Research Area (ERA) and the Framework Programs. However, the research foundation was discontinued in the state budget for 2012 because the fund was no longer self-sustainable as a result of a long period with low interest rates and consequently a low return on capital. To create a more predictable situation, research funding now comes as regular appropriations in the state budget. The fund was administered by the Research Council of Norway, and as such it was never an independent foundation in accordance with the Foundation Legislation Act. Otherwise, this would have been an excellent case for the EUFORI-study before the Fund for Research and Innovation was discontinued in 2012.

The Extra-foundation established in 1994, funded by a state lottery, targets about one third of its grants to research on health and rehabilitation. In 2013 37 research projects received a total of EUR 9 million, according to the annual report. 16 of the projects were granted to regional health authorities, for the most part conducted by hospitals with research activities, 8 of the projects were granted to universities, and the rest to research institutes and centres of competence etc. There is hard competition and only 13 % of the projects that applied for research funding were successful in getting grants. The Extra-foundation also supports projects in rehabilitation (EUR 8.5 million) and prevention (EUR 8.5 million), and several of these projects may be oriented towards innovation, since the Extra-Foundation has a preference for supporting new projects rather than the continued operation of established organisations.

Another important source of private funding is the Norwegian Cancer Society, a voluntary organisation that supported research with EUR 22.8 million in 2012. The money comes from personal donations, bequests and national fundraising campaigns.

In recent years, a number of new foundations have been established by elderly business men in order to continue their consolidated ownership of large business groups after their deaths. Since the commercial goals remain prominent, this is nothing like the 'pledge giving' involving Bill and Melinda Gates, Warren Buffett and other billionaires dedicating a majority of their wealth to charitable causes. The Tinius foundation (Stiftelsen Tinius) was established in 2007 by Tinius Nagel Erichsen with a foundation capital of EUR 5 million. The foundation controls 60.1 % of the shares of a holding company owning 26.1 % of the media-conglomerate Schibstedt. The foundation's statutes do not mention any grants, but it has still about EUR

149 000 in grants annually from 2009-2011. It is a non-commercial foundation according to the Foundation Register despite having a controlling interest in a business enterprise, probably because the statutes say the foundation should promote editorial independence, freedom of faith, tolerance, human rights and democratic principles. A similar business owning foundation was established in 2013 by Olav Thon, a 90-year-old real estate tycoon. The Olav Thon Foundation has ownership over all the stocks controlling his hotel, real estate and shopping-mall conglomerate. The current value of the stocks is EUR 3.1 billion. The foundation statutes say that the operation should aim for maximum long-term profits. The commercial foundation also donates a yearly fixed amount of EUR 6 million (up to EUR 12 million in exceptional years) to research (awards and project support), excellent entrepreneurship, and building of community houses in areas where the company has business operations. A third business-owning foundation was established by Hans Rasmus Astrup, who developed his family's ship brokerage company into financial and oil-related services. He also built up a large Norwegian and international art collection, and established the Astrup Fearnly Museum AS as a limited company. In 2013, two holding companies Vergjedalsbruket and Astrup Fearnley AS, which together control the Astrup Fearnly conglomerate, with an estimated value of EUR 584 million, were transferred to the Astrup Fearnly Foundation. The purpose is to support culture and arts in Norway, with a particular obligation to continue to develop the Astrup Fearnly art collection, which will be made available to the Astrup Fearnly Museum. A fourth example is The C. Ludens Ringnes Foundation that was established in 2003 by the real estate-tycoon Christian Ringnes. The main project of the foundation is the large Ekeberg sculpture park in Oslo that opened in 2013. The foundation will support this park over a 50 year period with EUR 12 million to establish the park, EUR 12 million to buy new sculptures, and EUR 12 million to maintain the park.

One of the best-known individual philanthropists supporting research is the businessman Trond Mohn and his family. He established the Bergen Research Foundation in 2004 through a donation of EUR 31 million, and Bergen Medical Research Foundation was established through a donation of EUR 6.2 million from Frank Mohn AS in 2004, supporting medical research at Bergen University. In 2011, the foundation capital was EUR 65 million, according to data from the Foundation Register. He also gave the University of Tromsø EUR 12.4 million [NOK 100 million]. These foundations have later been supported by additional donations from the Mohn-family.

The former retail-tycoon Stein Erik Hagen and his foundations donated EUR 15.7 million to research and innovation from 2006-2011. Most important for the R&I-sector is the Foundation for clinical heart research. In addition, he established a foundation for prostate cancer research in 2014 with a donation of EUR 12.4 million. The Kristian Gerhard Jebsen Foundation, established by a ship owner family in 2009, also supports R&I. <sup>[5]</sup> In 2011 the foundation capital was EUR 122 million, according to data from the Foundation Register. The Grieg Foundation was established by ship-owner Per Grieg in 2002 and owns 25 % of the Grieg Group, which does business in shipping, seafood and logistics. In 2011, the foundation capital was EUR 134 million and it supports education of children and young people on a global basis, cultural activities and medical research. The Bergen Medical Research Foundation, the Kristian Gerhard Jebsen Foundation and the Grieg Foundation are among the 10 largest R&I-foundations in Norway in terms of foundation

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5 Sources are the internet homepages for each of the foundations.

capital according to data from the Foundation Register (see Table 1), and they have all been established by individual philanthropists since 2000.

Several large operative foundations in Norway are involved in research and development. SINTEF is a large operative research foundation established by the Norwegian University for Science and Technology (NUST) in 1950. According to the statutes of 2009, the base foundation capital is just EUR 8.6 million. However, in 2011 the booked equity capital was EUR 326 million according to data from the Foundation Register, which means it is the largest operative R&I-foundation in Norway in terms of foundation capital (see Table 1). SINTEF is by far the largest foundation which has participated in the EUFORI-survey (see below). The foundation performs research in natural science, technology, medicine and social science in collaboration with the NUST. The NUST and employees of SINTEF control the majority of the executive board. SNF (Samfunns- og næringslivsforskning) is a similar research foundation established by the Norwegian School of Economics and Business Administration in 1991. It has been merged with other research institutes and gone through a number of restructuring processes. Today, the Foundation SNF, the Norwegian School of Economics and Business Administration, and the University of Bergen own SNF AS, which is an operative research organisation. The applied research institute in economics and business administration has 15-20 full-time researchers and engages more than 100 researchers from the scientific staff of the NHH and the UiB and also from other research institutions. The foundation SNF had a booked equity of just EUR 4 million in 2011 and it gives about EUR 124 400 in grants annually, and is participating in the EUFORI-survey. A similar example is Uni-Research, which was formed as a limited company in 2003. The company grew out of the Foundation for University Research in Bergen, which was founded in 1986. Today, Uni Research AS is owned by the University of Bergen (85 %) and the Foundation for University Research in Bergen (15 %). The company operates on a nonprofit basis, and any profits made will be reinvested in its activities. The Foundation for University Research in Bergen had a book equity of EUR 14 million and gave EUR 125 000 in grants in 2011.

Stiftelsen Det Norske Veritas is a Norwegian foundation that controls 63 % of the DNV GL Group AS, a Norwegian limited company resulting from a merger between Det Norske Veritas and Germanischer Lloyd in 2013. It is one of the main global companies in the classification society business with a turnover of EUR 1.6 billion, and it is involved in ship transport, energy (including wind and solar), aviation, automotive, finance, food, healthcare, and information technology. It also conducts research in several fields where it operates.

Several research institutes in Norway are also foundations, such as: Frischsenteret for samfunnsøkonomisk forskning (equity EUR 2.5 million), Instituttet for sammenlignende kulturforskning (equity EUR 1.2 million), Norsk institutt for by- og regionforskning, Institutt for samfunnsforskning (ISF), Norsk institutt for luftforskning (NILU), Fridtjof Nansen stiftelsen på Polhøgda, Chr Michelsens institutt for videnskap og åndsfrihet, Stiftelsen Telemarksforskning Bø, Radiumhospitalets forskningsstiftelse, Transportøkonomisk institutt Stiftelsen norsk senter for samferdselsforskning (TØI), Stiftinga vestlandsforskning, Stiftelsen Telemarksforskning Notodden, Stiftelsen Østlandsforskning, Norsk institutt for by- og regionforskning, Stiftelsen administrativt forskningsfond ved Norges Handelshøyskole, CICERO Senter for klimaforskning, Møreforskning - forskningsstiftelsen for Møre og Romsdal, Nordisk institutt for studier av innovasjon, forskning og

utdanning (NIFU), Stiftelsen kirkeforskning (KIFO). Some of these foundations have been established by ministries promoting research in their field, and others have been established by regional university colleges or by private initiatives. The most important national research foundations get a basic funding from one of the ministries or directorates, or from the Research Council of Norway, but they also compete for research projects initiated and funded by the State, the Research Council, employer and business organisations, trade unions and professional organisations, the EU and other foreign sources, etc.

Håkon Lorentzen claims that 70 % of the grantmaking foundations that existed in 2009 were established by individual donors, 7 % by public authorities and 5 % by private enterprises. <sup>[6]</sup> Among the smaller foundations, 11 % were established by voluntary organisations, in many cases by interest-organisations that established funds to support people in their target group, such as persons with certain illnesses or disabilities. More than half of the foundations had a target area for grants within the municipality (Lorentzen and Dugstad, 2010).

In 2011 there were 7 612 foundations in Norway with a total book equity of EUR 11.2 billion, as the data from the Foundation Register shows. A survey conducted by the Norwegian Foundation Authority, showed that 3 400, or 60 % of the total of 5 844 foundations, were grantmaking foundations with a total book equity of EUR 4.8 billion and EUR 373 million in grants. This excludes 23 % of foundations that did not take part in the survey (Lotteri og stiftelsestilsynet, 2012). In addition, some foundations gave grants, even though the statutes did not include grantmaking as an explicitly stated purpose. Extra-stiftelsen and other foundations registered by the Fundraising Control distributed EUR 123 million in grants, but had only EUR 114 million in book equity, since their grantmaking is based on income from fundraising and lotteries. A total of 825 grantmaking foundations were located in Oslo, 432 in Hordaland County including Bergen, Finnmark County up north only had 7, while the remaining counties varied from 150 to 33 (Lotteri og stiftelsestilsynet, 2012).

Among the 2 581 foundations that had grantmaking as their only purpose in the statutes, 18 % supported research, with 31 % of the total grants of EUR 124 million, followed by education, which received 15 %, social purposes 13 % and culture 12 % of the grants. This means that the dedicated grantmaking foundations in Norway have a strong orientation towards research in terms of the number of foundations, and even more so when it comes to the total amount given in grants. In addition, parts of the grants for education, which was the second largest area, probably supported different kinds of R&I-activities such as the dissemination of research. It is also important to note that since 2000 several large foundations have been established that have significantly strengthened the R&I-field, although some of them also have other activities.

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6 The sample is foundations with the Industrial Classification code SN94992 "Fond/legater som støtter veldedige og allmenntilgode formål". A later survey has shown that other foundations also may give grants (Lotteri og stiftelsestilsynet, 2012: p 9)

## 1.3 The Legal and fiscal framework

The Foundation Legislation Act (law 59 of 15 June 2001) was legally valid from 1 January 2005, replacing the 1980 Act. Among the changes this brought about were a new supervisory body and a central register for foundations. The administrative responsibilities were given to The Norwegian Gaming and Foundation Authority, formerly the Norwegian Gaming Board. It supervises and controls all foundations and also all private and State operated lotteries. The legislation of 2001 requires all foundations in Norway to be registered on a national register administered by The Foundation Authority. The Foundation Register is coordinated with The Central Coordinating Register for Legal Entities, and replaced 19 county-level foundation registers (fylkesmannskontor).

The legal basis for foundations in Norway is a disposition. This can be a gift or transfer, placing an asset of financial value (money, property, securities, etc.) at the independent disposal of a foundation for a purpose defined in the foundation's statutes. The defined purpose can for example be idealistic, humanitarian, social, religious, educational and financial activities. 'Foundations are self-owned legal entities, having the power to enter into contracts with third parties, and be a party in legal actions before the courts and official authorities' (The Norwegian Gaming and Foundation Authority, 2013). There is also a requirement of independence stating that no individual, legal entity or interest outside the foundation is allowed any legal rights or power to influence the foundation and its management. A person having furnished capital assets included in the foundation's founding capital or related parties cannot be the sole board member. A foundation's board with a founding capital of NOK 3 million or more must consist of at least three members. The board is the highest authority of a foundation, but the statutes may prescribe that a foundation can have other bodies than the board and general manager; however the authority is limited to dismissing board members unfit by law, monitoring activities, deciding the amount of remuneration, initiating investigations, appointing auditors etc. The board has the authority to issue instructions and reverse decisions from an advisory, case-preparing, or decision-making body. If a foundation has members, whether they are organisations (i.e., Helse og Rehabilitering) or individuals (Norsk Luftambulans), they can be involved in the nomination of board members, but they cannot have democratic governing rights in relation to the board as in a voluntary organisation. Board members are accountable as individuals, as in a limited stock company. The legitimacy of the board and the foundation's operations are based on the foundation's statutes and The Foundation Legislation Act.

The legal requirement of foundation independence is also installed to prevent the abuse of foundation capital for private purposes, a concern that was brought to the forefront in the law-making process by a number of court cases in the 1990s. No distributions may be made to the founder, the founder's family or relatives, or to companies in which they have a controlling interest.

A foundation can legally be a non-commercial foundation or a commercial foundation. A commercial foundation is engaging in commercial activity or has a controlling interest in a business enterprise outside the foundation itself; all others are non-commercial foundations. The Foundation Authority decides whether a foundation is non-commercial foundation or a commercial foundation. Employees elect representations to the boards of commercial foundations as required under the Limited Liability Companies Act. The

Foundation Legislation Act prescribes the conditions and procedures for the conversion or dissolution of foundations. The Foundation Authority has a key role in these processes. The foundation law does not apply to pension funds, savings banks, or churches or church yards owned by religious congregations.

The sum of income-tax deductible donations from individuals to voluntary associations and foundations was EUR 1 492 [12 000 NOK] from 2005 to 2013. The smallest deductible amount is EUR 62 a year to each organisation. The list of Norwegian organisations that qualify for deductible donations has gradually extended to 498 organisations in 2013, and includes a broad spectrum of activities – from culture and recreation, to the environment, religion, peace and human rights, development and disaster aid, as well as general social and welfare associations. The donated amount must be reported by the organisation to the tax authorities, so only registered gifts can be deducted. In 2011 the average deducted amount was EUR 460, and 564 000 tax payers (Statistisk sentralbyrå, 2013b) or 22 % of employed persons used the opportunity to deduct gifts. This means that many people use the system even though the deductible amount is quite moderate. One reason for this is that an increasing number of people make regular donations, which is easy for the organisations to register and report to the tax authorities.

The government supplements private donations of at least EUR 373,000 (NOK 3 million) given to ‘long-term, basic research’ with 25 % of the donated amount. Authorised recipients of state-supplemented donations are universities with doctoral rights, the Research Council, and the Norwegian Academy of Science and Letters. This arrangement was terminated in 2011, but reintroduced in 2014. An introduction of gift reinforcement for the cultural field has also been discussed. Among the R&I-related foundations that have benefitted from these kinds of government subsidies are Norwegian Universities, the BI Norwegian Business School (which received EUR 7.5 million in government-supplemented donations from 2006-2011) and the Norwegian Academy of Science and Letters.

The conversion of SNF and Det Norske Veritas from operative foundations to foundations owning parts of operative research organisations highlights the limitations of foundations in processes of mergers and increases in capital-base. The same applies to the Gjensidige Foundation and Sparebank Stiftelsen. The Freedom of Expression Foundation share of ownership of the Narvesen Kiosk Company was gradually reduced to a blocking minority position with the Reitan-group as a majority-owner, a situation where the Freedom of Expression Foundation decided to sell out completely and put all its capital into securities. A foundation cannot just issue more stocks or obligations to extend the capital-base as a limited company can, since a foundation has to remain self-owning. The only alternatives are the conversion of the foundation, which is a complicated legal process, or transforming the foundation from an operative foundation to a shareholding foundation. This is a general weakness of foundations as a form of ownership in a dynamic market economy.

## 1.4 Research/innovation funding in Norway

R&I investments in Norway by businesses, the public sector and other sources amounted to 1.66 % of the gross domestic product (GDP) in 2011. This is lower than the EU average (1.74) and OECD (2.17 %), and also lower than the other Nordic countries, Austria and the Netherlands (OECD, Main Science and

Technology Indicators 2012). There are two common explanations for this. First, the oil-related economy inflates the GDP in Norway. Second, Norwegian business and industry are to a large extent active in typically less research-intensive areas.

The primary sources of funding research and innovation in Norway are the Research Council of Norway, government ministries and directorates, and regional health authorities. The most important national research institutes, of which several are foundations, get basic funding from a ministry or from the Research Council of Norway, but they also compete for research projects initiated and funded by the State, the Research Council, employers and business organisations, trade unions and professional organisations. The private business sector is less active in initiating and funding research than in other Scandinavian countries because of concentration in industries that are less research intensive. The Research Council tries to stimulate more business related research by targeting funding for collaboration between research institutes and private companies.

As we have seen, Norway has a weak philanthropic tradition and no really large foundations dedicated to supporting research and innovation. However, in recent years converted savings banks and insurance companies and a few philanthropists have made significant contributions. Private donations funding research and innovation tend to focus on medical research or natural science.

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

A list of foundations supporting R&I was generated by the Foundation Authority by searching for relevant words in the foundations statutes in the Foundation Register, combined with information from a survey of foundations conducted in 2012 with a response rate of 77 %. Since all Norwegian foundations have to be registered, this should result in a very complete and representative coverage. The only exceptions are some older foundations with hand-written statutes that are not searchable in the Foundation Register. This probably represents a very small part of the foundation capital involved in R&I.

## 2.2 The Survey

The web-survey was conducted by the EUFORI-secretariat, but the postal survey was distributed by the Institute for Social Research. Invitations were sent by e-mail and with a link to a letter of endorsement from the Association of foundations in Norway, signed by the board leader who was a Member of Parliament for many years and a well-known figure in Norway. Reminders were sent by e-mail two times to raise the response rates, in the middle of June and early in September 2013. A link to a short version of the questionnaire was also sent by e-mail to encourage responses from those who thought the survey was too large. Foundations received a paper version of the questionnaire on request and the returned information was filled in on web-forms. Only 45 of 419 foundations that got a letter by mail with a link to log on, went on to fill in the questionnaire, which means a response rate of 11 %. Furthermore, only 84 of 479 foundations that got an e-mail with a link to log on responded, which means a response rate of 18 %. We contacted 176 organisations by phone to raise the response rate, but that only resulted in 15 web-forms being filled in. <sup>[7]</sup> It was particularly difficult to get a response from foundations administrated by a lawyer's office or some other external body like an university's foundation administration.

After excluding from the survey-analysis 22 foundations <sup>[8]</sup> that replied that they did not operate or fund research or innovations between 2005 and 2012, three that contacted us to say that they were not in the target group, and two reported to have been liquidated, we ended up with an adjusted net-sample of just 102 foundations. The total sample from the Foundation Register was 898. After excluding foundations outside the target group, the adjusted total was 872, which resulted in a response rate of just 12 %. Some of the foundations in the adjusted total sample may in fact not have been involved in R&I between 2005 and 2012. However, it seems likely the total sample covers the target group quite well. First, the selection was based on the Foundation Authority searching through the foundations' statutes and on information

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7 Daniel Arnesen was working as a research assistant at the Institute for Social Research with the postal invitations and phone reminders.

8 4 of the 26 foundations that reported not to be involved in R&I had entered a wrong reference number on the web-form and could consequently not be included in the survey.

from the survey of the grantmaking foundations. Second, only 29 foundations of the total of 898 reported that they are not in the target group, either by contacting us directly or by responding to the survey, which would have not taken much effort.

With an adjusted total of 872 and an adjusted net-sample of just 102 foundations, the response rate was just 12 %. Among the 102 organizations that answered the survey 7 did not answer any question except Q1: 'Did your foundation fund/operate research and/or innovation (R&I) activities between 2005 and 2012?' The only information we have about them, is that they are in the target group. This means that we have answers from 95 out of 876, or a response rate of 10.8 %. The response rate decreases throughout the questionnaire. From Q8 onwards, 5 respondents stopped answering; later in the survey 8 more stopped answering. This means that the response rate was 9.4 percent, or even lower for a large part of the survey. As the following analysis will show, this does not appear to be a representative sample.

One reason for the low response rate is UNIFOR, which is a foundation that handles grants from 202 small foundations and endowments established to support students in higher education, research, but also music and arts. The small administration of UNIFOR did not have the capacity to answer for each of these small foundations. However, even if the UNIFOR-foundations are excluded, the response rate is still just 15 %.

The number of missing foundations is too large to be complemented by additional sources without very large expenses. A more feasible and reliable strategy is to use alternative data with a more complete coverage: First, from the Foundation Register we got some information for the total sample. However, it just contains information about booked equity in 2011. Second, we gained access to some items from the survey conducted by the Foundation Authority in 2012 with a response rate of 77 % (Lotteri og stiftelses-tilsynet, 2012). This includes if grantmaking is determined by the foundation statutes, the amount given in grants in 2009-2011, and for what purposes those grants were given. For the foundations that give grants ONLY to research, we can assume that the total amount is related to R&I. However, for the foundations giving grants to research AND other purposes, it is not possible to calculate the share related to R&I.

## 2.3 The Interviews

Karl Henrik Sivesind carried out interviews with representatives from some of the largest grantmaking foundations involved in R&I: The Freedom of Expression Foundation, Gjensidigestiftelsen and Extra-Stiftelsen. This is because in Norway 9 out of the 10 largest R&I-foundations in terms of foundation capital are grantmaking foundations. Since we had been in contact with these foundations previously and had a lot of source material, we only conducted one interview with each of them. Information about these three foundations and information about several other of the most important R&I-related foundations is presented in section 1.2 The foundation landscape'.

# 3 Results

## 3.1 Results

According to the survey conducted by the Foundation Authority in 2012, 60 % of the foundations in Norway have grantmaking as their sole purpose or as one of the purposes in the statutes. However, one fourth of them did not give any grants in 2011. On the other hand, several foundations give grants even though this is not explicitly stated in the statutes (Lotteri og stiftelsestilsynet, 2012). If we look at the sample of 876 R&I foundations in Norway, 406, or 46 %, gave a grant in 2011 to R&I or some other purpose. The total amount of the grants was EUR 137 million (NOK 1.1 billion), and the foundations that made the grants had a booked equity of EUR 4.7 billion (NOK 38 billion), which means the grants represented 2.9 % of the equity. Many organisations had a negative financial result in 2011, possibly due to low returns on capital in the economic slowdown. Still, the total financial result was EUR 2.11 million (NOK 1.7 billion) for all the R&I-foundations that gave grants in 2011, or 4.5 % of the booked equity. If we look at the EUFORI-survey sample of just 96 foundations, there were 22 (22 %) operative and 72 (71 %) grantmaking foundations compared to 46 % in the total sample of R&I-foundations, which emphasises how biased the EUFORI-sample is.

By bringing in data from the survey of the Norwegian Foundation Authority (Lotteri og stiftelsestilsynet, 2012), we can also determine if the selected R&I-foundations are grantmaking, and if research is the only purpose supported by grants. Before we analyse the whole R&I sample we will take a look at the largest R&I-foundations in terms of booked equity. Table 1 shows that among the 10 largest in terms of booked equity there is one operative foundation that does not give any grants: SINTEF, a research foundation established by the Norwegian University for Science and Technology (NUST) (EUR 325 million). The three largest grantmaking foundations, which were also presented above, are The Gjensidige Foundation (EUR 2.8 billion), the Freedom of Expression Foundation (EUR 325 million), and the Cultiva foundation (EUR 169 million). Then follow some foundations that were established by ship or business owners: The Grieg Foundation, The Kristian Gerhard Jebsen Foundation, The Bergesen Foundation and the Bergen Medical Research Foundation (Established by Frank Mohn AS). The latter is the only foundation with grants for research as its only purpose. The UNI foundation resulted from the merger of the mutual UNI with the limited company Storebrand in 1990; and The Competence Development Fund of Southern Norway (CDFSN) was established by fifteen local public authorities in the county of Vest-Agder in 2000, and the foundation's funds were raised from a donation of shares in the newly merged hydroelectric power company Agder Energi AS.

**Table 1: Top 10 foundations in terms of booked capital**

Foundation	Capital (EUR million )	Type of foundation according to statutes	Grants given to	Established
The Gjensidige Foundation	2 800	Grantmaking one of the purposes	Research and other purposes	2005 conversion of mutual
Freedom of Expression Foundation	325	Grantmaking one of the purposes	Research and other purposes	1975 by State and individual philanthropists
SINTEF	325	Operative	-	1950 by State technical college
The Cultiva Foundation	169	Grantmaking only	Research and other purposes	2000 by local public authorities
The Grieg Foundation	134	Grantmaking only	Research and other purposes	2002 individual philanthropists
UNI Foundation	120	Grantmaking one of the purposes	Research and other purposes	1990 conversion of mutual
The Kristian Gerhard Jebsen Foundation	120	Grantmaking only	Research and other purposes	2009 individual philanthropists
The Bergesen Foundation	83	Grantmaking only	Research and other purposes	1975 individual philanthropists
The Competence Development Fund of Southern Norway (CDFSN)	80	Grantmaking one of the purposes	Research and other purposes	2000 by local public authorities
Bergen Medical Research Foundation	64	Grantmaking only	Research only	2004 individual philanthropists

Source: Foundation Register data 2011

Three of these largest ten foundations also responded to the EUFORI-survey. SINTEF reports to have spent 80 % of its operating expenditure in 2012 or 187 million on research and 10 % or EUR 23 million on innovation; the Kristian Gerhard Jebsen Foundation used 50 % of its total expenditure or EUR 13.6 million on research; and the Bergen Medical Research Foundation used 47 % its total expenditure, or EUR 6.2 million, on research. SINTEF alone accounted for more than 50 % of the total research spending and 70 % of the total innovation spending for all 61 foundations participating in the EUFORI-survey.

In the survey of the Norwegian Foundation Authority, 210 R&I-foundations reported to give grants only to research and no other purposes. 117 of these foundations did in fact give a grant in 2011. The total sum of these grants was EUR 21 million, or an average of EUR 180 000. If we look at all the R&I-related foundations in Norway, the total grants for all kinds of purposes were EUR 143 million. However, this includes grants for social purposes, culture, education, sports, religion and other purposes, in addition to research. Unfortunately, the data do not make it possible to determine the size of the part given as grants to research. However, the total grants to R&I are probably much larger than the EUR 21 million given by foundations that support only research and no other purposes.

Since the Foundation Law in Norway requires independence, the categories of public vs private foundations are not a valid distinction. Some foundations are established by the public sector, but the board members are still individually accountable for following the statutes and the law. However, in practice

many foundations have little real independence due to reliance on funding and the frame conditions decided by the public sector players.

## 3.2 Origin of funds

### 3.2.1 Financial founders

In the EUFORI-survey sample there were 40 foundations established by private individual/family, 9 established by for-profit corporations, 5 by universities, 3 by research institutes, 1 by a hospital, 12 by other nonprofit organisations, 22 by the public sector and 15 by other (full text answers indicate 4 by nonprofit organisations and 4 by the public sector). 10 did not answer the question. It is not possible to know if this is representative for all the R&I-foundations in Norway.

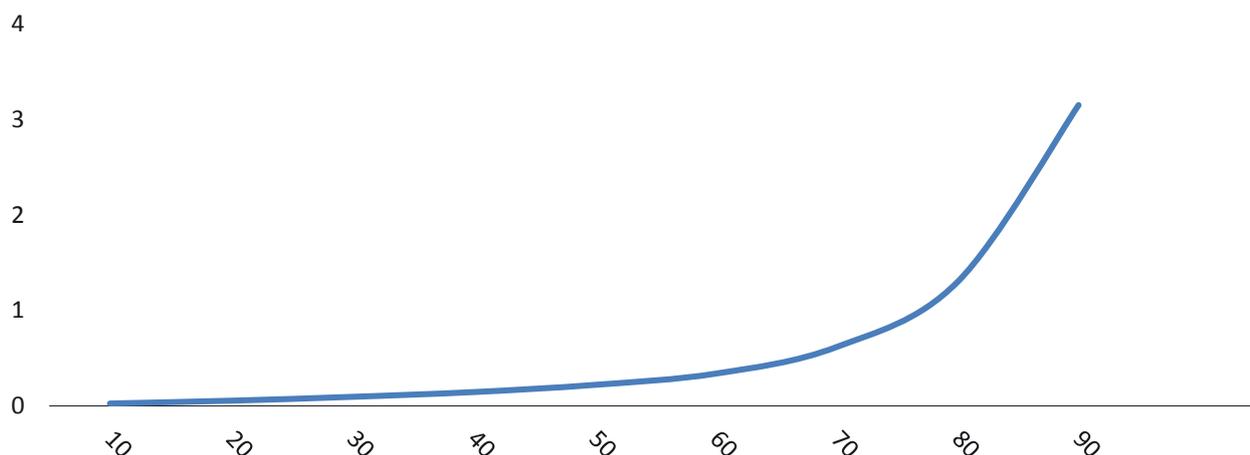
Table 1 shows that all of the 10 largest R&I-foundations have been established since 2000, except SINTEF (1950), the Freedom of Expression Foundation (1975) and the UNI Foundation (1990). Three were established by the public sector: SINTEF, The Cultiva Foundation and The Competence Development Fund of Southern Norway (CDFSN). Two are the result of conversion of mutual insurance companies: The Gjen-sidige Foundation and UNI Foundation. Four were established by individual philanthropists: The Grieg Foundation, The Kristian Gerhard Jebsen Foundation, The Bergesen Foundation and the Bergen Medical Research Foundation. In the case of the Freedom of Expression Foundation, the State was the prime mover, but some of the capital came from the private owners of Narvesen, who sold out to the foundation when it was established at reduced prices. The rest of the capital came from a merger with a subsidiary of the Norwegian State Railways (NSB), of which it is difficult to know the true value of since it was never on the market.

The State was involved in the establishment of many R&I foundations before 2000, some large like SINTEF, and many that do not make it into the top-ten list. However, in recent years, private individuals and families have become a very important source of capital for large R&I-foundations, coming from individual philanthropists and from the conversion of mutual insurance companies.

### 3.2.3 Assets

The foundations reported the adjusted equity or funds for 2011 to the Brønnøysund Register Centre as a part of their registration of annual accounts. This is required also for foundations by the Accounting Act § 1-2. We therefore have data from 867 foundations of the total adjusted sample of R&I-foundations of 876, or a 99 % coverage. The total adjusted equity is EUR 5.6 billion or NOK 45 billion. Two foundations reported negative foundation capital. The median foundation capital was just EUR 220 345, while the average was EUR 6.45 million, indicating that there are very many small foundations involved in the R&I field in Norway. Figure 1 shows that the 20th percentile is just EUR 56 817, the 40th EUR 146 835, the 60th EUR 339 685, the 80th EUR 1 300 864, and the 90th percentile EUR 3 153 504. Then there is a very steep climb up to the top 10 foundations with a foundation capital from EUR 64 million to EUR 2.8 billion, as shown in Table 1.

**Figure 1: Foundation capital**  
in EUR million percentile 10-90



Source: Foundation Register data 2011

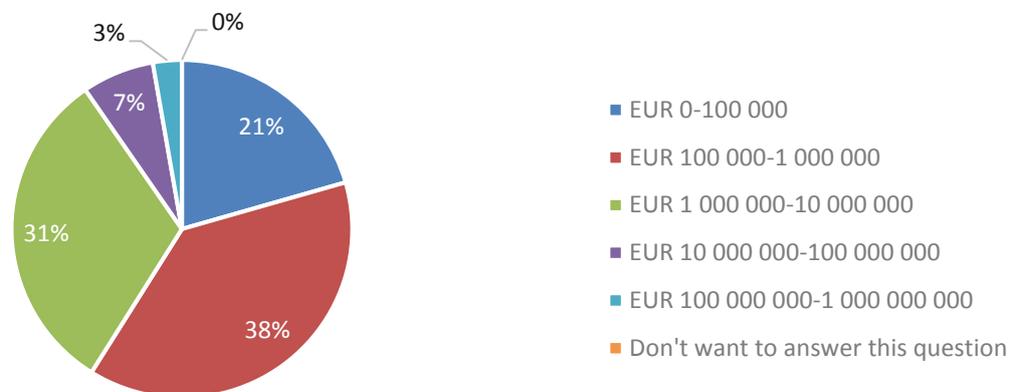
Unfortunately, the data from the EUFORI-survey on foundation capital is limited to just 74 foundations, or 8.4 % of the total sample. Furthermore, the survey data are heavily biased towards large foundations. Table 2 shows that in the EUFORI survey the average foundation capital is EUR 9 444 000, whereas in the Foundation Register data it is just EUR 6 450 000. The median is EUR 544 000, whereas in the Foundation Register data it is just EUR 222 000. For every 10th percentile, the EUFORI survey data show much higher values than the Foundation Register data. This means that the survey data are not representative for the R&I foundations in Norway. It is also a very small sample, which means that the unsystematic self-recruitment of cases could have very large impact on the results. The responding organisations may have a particularly positive motivation for participating in the inquiry, and/or have more resources in terms of management or administrative personnel, and therefore the capacity to respond to a questionnaire. In both cases, this limits the representativeness of the survey data. In the following, the analysis will be based on data from the survey of the Norwegian Foundation Authority from 2012, when data were available. The data presented from the small number of respondents to the EUFORI survey are not representative for the population of R&I foundations in Norway.

**Table 2: Foundation capital in**

	Foundation Register data 2011	EUFORI survey 2012
10 <sup>th</sup> percentile	27	49
20 <sup>th</sup> percentile	57	94
30 <sup>th</sup> percentile	97	178
40 <sup>th</sup> percentile	147	302
50 <sup>th</sup> percentile	222	544
60 <sup>th</sup> percentile	340	989
70 <sup>th</sup> percentile	618	1 994
80 <sup>th</sup> percentile	1 301	5 331
90 <sup>th</sup> percentile	3 154	8 900
Mean	6 450	9 444
N	867	74

Figure 1 shows that in the EUFORI survey 21 %, or 15 of the foundations report an income of up to EUR 100 000; 38 %, or 28 foundations up to EUR 1 million; 31 %, or 23 foundations up to EUR 10 million; 7 % or 5 foundations up to EUR 100 million; and 3 percent, or 2 foundations up to EUR 1 billion.

**Figure 1: Total assets by categories in Euros, 2012**  
As a percentage of total number of foundations (N=73)



Source: EUFORI survey 2012

### Financial results

In 2011, 326 foundations had positive financial results, 542 foundations had negative financial results, while we lack data for 11 foundations. The total of the negative financial results was EUR -112 million, and the average was EUR 207 000, while the total of the positive financial results was EUR 327 million and the average was EUR 1 million. Table 3 shows that for the foundations that do not make grants, the average positive financial results were just EUR 243,000 for 80 foundations, and the average negative results was

EUR -108,000 for 63 foundations. For the grantmaking foundations, the average of the negative results was EUR -220,000 for 479 foundations and the average of the positive results was EUR 1.2 million for 246 foundations. Negative financial results can mean many things for a foundation. It can be a result of high expenses or investments in a single year, or that the level of grantmaking is maintained despite low income and return on capital, and that the process will be reversed in better times. However, it can also mean that the foundation capital is intended to be gradually spent down. A majority of the foundations that do not make grants had positive financial results, while the two thirds of the grantmaking foundations had negative financial results. This indicates that grantmaking is part of the reason for negative results.

**Table 3: Average financial results for foundations according to type**

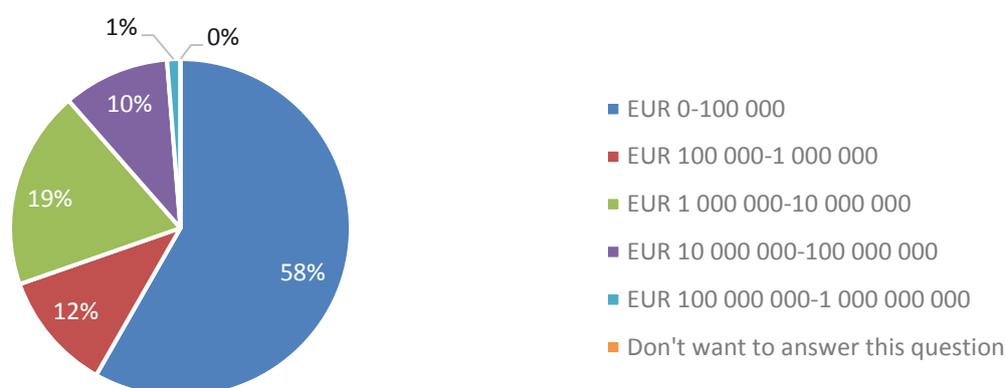
Type foundation	Number of foundations	Average financial results
Grantmaking, positive results	246	1 200 000
Grantmaking, negative results	479	-220 000
Not grantmaking, positive results	80	243 000
Not grantmaking, negative results	63	-108 000

Source: Foundation Register data 2011

### 3.2.2 Income

The income distribution among the 79 foundations in the EUFORI sample that reported their annual income is skewed to the right. Figure 2 shows that 58 %, or 46 of the foundations, report an income of up to EUR 100,000; 12 %, or 9 foundations up to EUR 1 million; 19 % or 14 foundations up to EUR 10 million; and 10 % or 8 foundations up to EUR 100 million. Only one foundation, SINTEF, has an income of EUR 100 million or more. This foundation represents an outlier in the data. When this case is excluded, the average income of the foundations is EUR 3 188 145, while the median income is EUR 46 132.

**Figure 2: Total income by categories in Euros, 2012**  
As a percentage of total number of foundations (N=79)



Source: EUFORI survey 2012

Table 4 shows that most of the foundations receive their income from Interests, dividends and gains on endowment. This makes it the most common source of income, but it is also the least substantial. On average, the income from endowment is only € 207,052. For the greater share of the foundations, the endow-

ment was a donation from the initial founder. Income from government, on the other hand, at the local, regional, or national level, or the EU, is less prevalent but more substantial. 25 % of the foundations receive their income from this source. The average income is € 4,722,394. Within this group, 17 foundations have government representatives in their governing board, while only 2 have government representatives on their supervisory board. A majority of the foundations report that government influence on decision-making about allocation of funds for R&I is relatively small.

**Table 4: Sources of income**

Sources of income	Number of foundations	Percentage of foundations	Average income €
Endowment	45	59 %	207,052
Donations from individuals	8	11 %	1,711,053
Donations from corporations	5	7 %	1,981,108
Donations from non-profits	6	8 %	2,582,076
Income from government	19	25 %	4,722,394
Service fees, sales	12	16 %	3,499,766
Other	17	22 %	3,461,448

Source: EUFORI survey 2012 N = 76

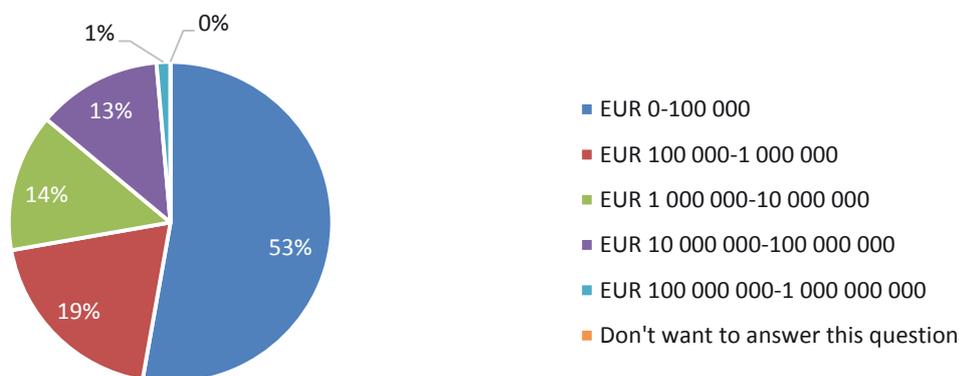
## 3.3 Expenditures

### 3.3.1 Total expenditures

Total expenditures are reported by 72 foundations in the EUFORI-sample. As in the case of income, the distribution is right-skewed. Figure 3 shows that 53 % or 38 foundations reports total expenditures of up to € 100,000, 19 % or 14 foundations up to € 1 million, 14 % or 10 foundations up to € 10 million, and 13 % or 9 foundations up to € 100 million. Again, only one foundation, SINTEF, has an income of € 100 million or more. When this outlier is excluded, the average total expenditures are € 3,684,937, while the median total expenditures are € 98,113.

**Figure 3: Total expenditures by categories in Euros, 2012**

As a percentage of total number of foundations (N=73)



Source: EUFORI survey 2012

### 3.3.2 Expenditure on research and innovation

Nearly all of the foundations fund/operate applied research, while only half fund/operate basic research. There is a difference of EUR 1 million in the average of total expenditure on these two types of research; on average, EUR 2 276 191 is spent on applied research, while EUR 1 254 894 is spent on basic research. This division is also reflected in the fact that the former receives 77 % of the total expenditure, and the latter 50 %.

**Table 5: Expenditure on basic and applied research**

Type of research	Number of foundations	Percentage of foundations	Average expenditures EUR*	Average % of total expenditures
Basic research	31	44 %	1 254 894	50 %
Applied research	64	91 %	2 276 191	77 %

Source: EUFORI survey 2012. N= 70, \* Not including SINTEF

On average, two thirds of the total expenditure of the foundations in the sample go to research. Innovation, on the other hand, is only a very minor part of the expenditure. In total, EUR 317 508 820 is distributed to research, EUR 29 935 253 to innovation and EUR 91 953 556 to other purposes. It should be noted that SINTEF is responsible for a major share of the funds distributed to R&I in the EUFORI sample, and is excluded in the calculation of average expenditure. The average foundation spends EUR 1.3 million on direct research, while research-related activities receive an average of EUR 476 123.

**Table 6: Expenditures on research and innovation**

Category of expenditure	Sum of total expenditure EUR	Average expenditure EUR*	Average % of total expenditure
Research	317 508 280	2 174 688	66 %
Direct Research	229 404 756	1 352 257	58 %
Research-related activities	64 544 398	476 123	34 %
Innovation	29 935 253	109 281	7 %
Other purposes	91 953 556	1 142 920	19 %
N	61	60	66

Source: EUFORI survey 2012 \* Not including SINTEF

## 3.4 Focus of support

### 3.4.1 Beneficiaries

Individuals are the main beneficiaries of the 54 foundations in the EUFORI-sample that answered this question. As shown in Table 7, 61 % of the total expenditure on R&I are on average spent in support of this category of beneficiary. Other kinds of beneficiaries receive markedly fewer benefits. Public higher education institutions and research institutes on average receive the most support in terms of total expenditure on R&I to the remaining categories.

**Table 7: Beneficiaries of support**

Category of beneficiary	Number of foundations	Percentage of foundations	Average % of total expenditure on R&I
Individuals	37	69 %	61 %
Public HEIs	11	20 %	14 %
Private HEIs	2	4 %	1 %
Research institutes	8	15 %	10 %
Government sector	5	9 %	4 %
Business sector	3	6 %	5 %
Non-Profit sector	6	11 %	5 %

Source: EUFORI survey 2012. N = 54

### 3.4.2 Research areas

A majority, 42 out of 75 foundations in the EUFORI-sample reporting on the research areas supported, answered that they support medical science. One third supports social and behavioural science, making it the second-most supported research field. There is considerably less support directed at the humanities and natural science. Very few support agricultural science and engineering and technology.

**Table 8: Research areas supported**

Research field	Number of foundations	Share of foundations
Medical science	42	56 %
Social and behavioral science	24	32 %
The humanities	13	17 %
Natural science	11	15 %
Agricultural science	7	9 %
Other	6	8 %
Engineering and technology	5	7 %

Source: EUFORI survey 2012. N = 75

### 3.4.3 Research-related activities

Communication is a valued research-related activity among the foundations in the EUFORI sample. The dissemination of research is supported by a majority of the foundations. 68 % report that they fund or operate this activity. Relatively speaking, considerable science communication/education is also given considerable support. 32 % of the foundations answered that they fund or operate this activity. In addition, research mobility and career development is a prioritised activity, supported by over one third of the foundations.

**Table 9: Research-related activities supported**

Research-related activities	Number of foundations	Percentage of foundations
Research mobility and career development	14	38 %
Technology transfer	3	8 %
Infrastructure and equipment	9	24 %
Dissemination of research	25	68 %
Science communication/education	12	32 %
Civic mobilisation/advocacy	6	16 %
Other	3	8 %

Source: EUFORI survey 2012. N = 37

## 3.5 Geographical dimensions of activities

### Geographical location of foundations

We have the postal address for all the 876 R&I-foundations in Norway. The foundations are sorted according to their post codes. The business address is different for a few of the foundation, but we do not have the business address for all of the foundations. This is why we use the postal address for all of them. In almost all cases, the business address and the postal address are in the same region, if not the same city or municipality.

Region	Number of foundations	Average foundation capital €
Oslo*	467	2 467 000
Eastern Norway	98	1 995 105
Western Norway	212	4 223 000
Central Norway (Trønderland)	52	8 468 000
Northern Norway	47	2 169 000

Source: Foundation Register data 2011. \*Not including the Gjensidige Foundation

The largest number of foundations (467) are located in the Norwegian capital Oslo. 212 are located in Western Norway, which includes the old Hansa-town Bergen with the second largest university and the reputable Norwegian School of Economics (NHH). A strong merchant class and a high prevalence of ship-owners are also among the reasons for a high number of foundations in Western Norway. In Eastern, Northern and Central Norway there are much fewer foundations. However, the largest average foundation capital can be found in Central Norway (Trønderland) with EUR 8.5 million. An important reason for this is SINTEF, the large operative research foundation established by the Norwegian University for Science and Technology (NUST) in Trondheim. In Western Norway the average foundation capital is EUR 4.2 million and in Oslo just EUR 2.5 million, excluding the Gjensidige Foundation with EUR 2.8 million in booked capital, an outlier that otherwise would completely distort the picture. In Northern and Eastern Norway the average foundation capital is almost as large, around EUR 2 million.

However, 222 of the foundations in Oslo are connected to UNIFOR, the foundation administration at the University of Oslo. Most of them are quite small, and the average foundation capital is just EUR 628 000. For the other 241 R&I foundations in Oslo the average is EUR 4.2 million. Similarly, in Western Norway, we find the second largest Norwegian university in Bergen, which has a foundation administration of 38 of the 212 R&I-foundations. They have an average foundation capital of EUR 367 000. In addition, 32 foundations have their address at the Norwegian School of Economics (NHH) with an average of EUR 335 000. The other R&I foundations in Western Norway have an average of as much as EUR 6.2 million. This shows that there are a large number of small and often old grantmaking R&I-foundations connected to the traditional universities, which is one of the explanations for the high prevalence of small R&I-foundations in Norway.

### 3.5.1 Geographical focus

The foundations in the EUFORI sample focus their R&I funding/operations on the local/regional and national geographical level. On average, 40 % and 48 % of the total expenditure on R&I are distributed to these two areas, respectively. There is a difference in the average expenditure when measured in Euros. While an average of EUR 3.8 million is spent at the national level, only an average of EUR 506,151 is spent at the local/regional level.

A minority of the foundations distribute fund/operate R&I in Europe and on the international level. In both these areas, the average of total expenditure distributed on R&I is 6 %. The average sum spent at the European level is, however, not markedly lower than that spent at the local/regional level

**Table 10: Geographical distribution of support**

Geographical area	Number of foundations	Percentage of foundations	Average expenditures to R&I EUR	Average % of total expenditures to R&I
Local/Regional	37	47 %	559 708	40 %
National	47	59 %	3 816 923	48 %
Europe	18	23 %	506 151	6 %
International	15	19 %	297 580	6 %

Source: EUFORI survey 2012. N = 79

## 3.6 Foundations' operations and practices

### 3.6.1 Management of foundation

About one third of the foundations in the EUFORI-sample, 33 out of 91, have a professional paid staff. The average FTEs working for these foundations is 661.4, and in total, 19 566.6 FTEs.

A governing board defines the annual strategy in the majority of 95 foundations that reported on this question. One half of the foundations have governing boards with appointed members, while the other half have governing boards with elected members. 4 of the foundations have a mixed governing board with both appointed and elected members. On average, the governing board consists of 5.2 members. In a very minor share of the foundations does the original founder define the annual strategy.

**Table 11: Definition of annual strategy**

Defines annual strategy	Number of foundations	Percentage of foundations
Original founder	10	11 %
Governing board with appointed members	45	47 %
Governing board with elected members	46	48 %
Other	5	5 %

Source: EUFORI survey 2012. N = 95

### 3.6.3 Engagement in partnerships

26 out of 73 foundations in the EUFORI sample develop joint research activities in partnership with others in the R&I field. The majority of these foundations, more than two thirds, collaborate with universities and research institutes. Over one third participate in joint activities with governments and companies, as well as foundations and nonprofits. 27 % engage in partnerships with hospitals.

**Table 12: Partnerships**

Category of partners	Number of foundations	Percentage of foundations
Universities	20	77 %
Research institutes	17	65 %
Governments	10	38 %
Companies	10	38 %
Foundations	9	35 %
Nonprofits	9	35 %
Hospitals	7	27 %
Other	1	4 %

Source: EUFORI survey 2012. N=26

## 3.7 Roles and motivations

### 3.7.1 Roles

The foundations in the EUFORI sample primarily see themselves as complementing public and other support in relation to R&I. A majority answer that they would describe their role as often or always complementary. There is, on the other hand, also a moderate a tendency for the foundations to view themselves as a substitute for public and other support.

The foundations would to a lesser degree describe themselves as initiating projects, expecting that others will take them over. More than half would never describe themselves as initiators. As for the competitive role, it is embraced by only very few of the foundations.

## 4. Innovative Examples

In the EUFORI survey, only 8 foundations reported a total of 15 examples of innovative projects they supported or operated. Most of them were minor technological innovations, like detectors, measurement devices, software for modelling and establishing a database with open access. Other examples were programs for treatment and training for people with disabilities, or for the mapping of the need for the competence development for sailors.

Several foundations we have been in contact with underlined the importance of making a difference. They would like to support the establishment of new activities or institutions, and not just pay for normal operations. They want to contribute to development and innovations. For example, the Freedom of Expression Foundation collaborated with the Sparebankstiftelsen DnB in supporting Store Norske Leksikon, a comprehensive contemporary Norwegian language online encyclopaedia, in addition to a medical encyclopaedia and a biographic encyclopaedia. They wanted to cut the support after a number of years. The Ministry of Culture had to come up with support over the state-budget for net-based encyclopaedias. A similar situation came about when The Freedom of Expression Foundation wanted to pull out of the House of Literature in Oslo, which has become a very important arena for cultural events and discussions. On the state budget for 2015, the Government had to come up with EUR 1 million in support for the House of Literature in Oslo, Bergen and Fredrikstad to help out.

The Extra-foundation also supports projects of a maximum of 3 years duration, with a few exceptions. This means that the voluntary organisations and the researchers or professionals continuously have to come up with new project ideas that are good enough to get support. In particular in research, there is very fierce competition and only 13 % of the projects that applied for research funding were successful in getting grants. The organisations that receive support get a very short planning horizon and limited possibilities to build permanent employment and institutions based on this kind of support alone.

The Gjensidige Foundation supports the establishment of certain exhibitions at knowledge centres, not normal operations. Furthermore, the exhibitions have to be about topics that are related to the The Gjensidige Foundation's fundamental values, which are: 'Preventive – Developing – Activity creating – Society building'. In line with this, they have chosen to support health and safety-related exhibitions that disseminate research, such as 'Mind and Body' and a program with education and dramatisation for secondary school pupils to foster attitudes against 'Alcohol, Narcotics and Tobacco (ANT)'.

The focus on supporting innovations and the establishment of new institutions, and not normal operations, that we found in all three case-foundations, must be understood in terms of the background of a history where the State has been the prime mover and funder in very many kinds of activities. However, when the innovations and new institutions resulting from foundation support are collective goods that

are not able to sustain themselves economically, they have to turn elsewhere for support. The solution is often the public sector, since there are few private sources that have the financial capacity.

# 5 Conclusions

## 5.1 Main conclusions

Several aspects of Norwegian history have prevented philanthropy from emerging as a significant force in society. The country historically has had a rather poor and equal population, with no self-confident upper class that saw itself as capable of helping the deserving poor. As such, the State was the most promising source of funding for expanding welfare society. Similar to the other Nordic countries, Norwegian social security focuses on self-help through work and public welfare rather than philanthropy, as donations would not amount to much income (Kuhnle, 1981; Stenius, 2010). Volunteering, on the other hand, has been used extensively by national voluntary associations. Moreover, social democratic policies have not supported philanthropy, based on the assumption that the result would be disguised rather than reduced social inequality. This means that Norway would grow to be a very rich but not very generous society, as it would appear from the level of monetary donations. However, volunteering and non-market transactions are much more important sources of income for the voluntary organizations.

Historically, there are a few large Norwegian foundations accumulated from a large number of donors or from larger private fortunes. Older foundations often have a small capital basis and distribute grants for local purposes (Backe and Krøvel, 1940; Nicolaysen, 1858-1894). Håkon Lorentzen finds that during the 19th century a large number of small foundations were established to provide economic support for vulnerable groups or education for individuals, often limited to inhabitants in a local community or parish (Lorentzen, 2004). A large share of the foundations still has written in their statutes that they operate in Norway or a region or smaller part of Norway. This limits the potential for interaction on the EU-level, in particular since Norway is not a member of the EU. However, Norway is part of the European Research Area (ERA) and can apply for research funding from the Frame Programs and Horizon 2020. This distance from the EU is also reflected in the small sample of the EUFORI survey, in which only 6 % of the total R&I expenditure were distributed to the EU and 6 % were spent at the international level.

According to the survey conducted by the Foundation Authority in 2012, the 876 R&I foundations in Norway, 46 percent gave a grant in 2011 to R&I or some other purpose (Lotteri og stiftelsestilsynet, 2012). The total amount of the grants was € 137 million (NOK 1.1 billion), and the foundations that made the grants had a booked equity of € 4.7 billion (NOK 38 billion), which means the grants represented 2.9 % of the equity. Many organisations had a negative financial result in 2011, possibly due to low return on capital in the economic slowdown. Still, the total financial result was EUR 2.11 million (NOK 1.7 billion) for all the R&I-foundations that gave grants in 2011, or 4.5 % of booked equity.

In 2011, 210 R&I-foundations reported giving grants only to research and no other purposes. 117 of these foundations did in fact give a grant in 2011. The total sum of these grants was EUR 21 million, or an average of EUR 180,000. This can with certainty be said to go to R&I-activities. If we look at all the R&I-related

foundations in Norway, the total grants for all kinds of purposes were EUR 143 million. However, this includes grants for social purposes, culture, education, sports, religion and other purposes, in addition to research. The data-structure does not make it possible to determine the share of these grants given to R&I-activities. However, the total is probably much larger than the EUR 21 million given by foundations that support only research.

In the EUFORI survey, the foundations reported the size of the share of their operating expenditure that was used for R&I. However, only 61 foundations responded to this part of the survey. Among these foundations, EUR 318 million or 66 % is distributed to research, and EUR 30 million or 7 % to innovation. SINTEF alone accounted for EUR 187 million, or more than 50 % of the total research spending and EUR 23 million, or 70 % of the total innovation spending.

Among the 10 largest R&I foundations in terms of booked equity reported to the Foundation Register, there is one operative foundation that does not give any grants: SINTEF, which is a research foundation established by the Norwegian University for Science and Technology (NUST). The three largest grantmaking foundations are The Gjensidige Foundation (EUR 2.8 billion), the Freedom of Expression Foundation (EUR 325 million), the Cultiva foundation (EUR 169 million). Next on the list are some foundations that were established by ship or business owners. The total adjusted equity for all the R&I-foundations is EUR 5.6 billion, or NOK 45 billion. The median foundation capital is just EUR 220 345, while the average is EUR 6.45 million, indicating that there are very many small foundations involved in the R&I field in Norway. The largest number of R&I-foundations (467) is located in the Norwegian capital Oslo. 212 are located in Western Norway, which includes the old Hansa-town Bergen with the second largest university and the reputable Norwegian School of Economics (NHH). A strong merchant class and a high prevalence of ship-owners may be one of the reasons. In Eastern, Northern and Central Norway there are much fewer foundations. However, there are a large number of small and often old grantmaking R&I-foundations connected to the traditional universities in Oslo, Bergen and Trondheim, which is one of the explanations for the high prevalence of small R&I-foundations in Norway.

## 5.2 Strengths and weakness of the R&I foundation sector in Norway

The conversion of SNF and Det Norske Veritas from operative foundations to foundations owning parts of operative research organisations highlights the limitations of foundations in processes of mergers and capital increases. The same applies to the Gjensidige Foundation and Sparebank Stiftelsen. The Freedom of Expression Foundation share of the ownership of the Narvesen Kiosk Company was gradually reduced to a blocking minority position with the Reitan-group as a majority-owner, a situation where the Freedom of Expression Foundation decided to sell out completely and put all its capital into securities. A foundation cannot just issue more stocks or obligations to extend the capital as a limited company can, since a foundation has to remain self-owning. The only alternatives are the conversion of the foundation, which is a complicated legal process, or transforming the foundation from an operative foundation to a shareholding foundation. This is a weakness of foundations as a form of ownership in a dynamic market economy. Foundations need to be able to use financial instruments that make it possible to scale up operations rapidly.

However, this seems to be difficult, either because it is not part of normal behaviour for foundations, or because of barriers in the legal environment

Since the seventies an increasing number of operative foundations have been established by the public authorities to strengthen accountability and limit the direct political control of research, cultural and welfare institutions (Lorentzen, 2001). This Norwegian orientation towards the public sector as a first mover has created a grey area between the public sector and civil society, where ownership often is unclear, resources from different sources are entangled, and it is difficult to see where the influence of the public sector ends and the legally required independence of the foundations begins. For example, there are several research institutes established as foundations in Norway supported, and in many cases initiated, by the ministries, directorates, regional university colleges and research councils. In general the business sector in Norway is less active in R&I than in the other Scandinavian countries. The primary sources of funding for research and innovation in Norway is the Research Council of Norway, government ministries and directorates, and regional health authorities. In contrast, foundations established by private entrepreneurs therefore focus on backing activities, ideas, arrangements and projects that have failed to attract sufficient public support, such as the preservation of cultural memorials, the restoration of ancient buildings, economic support for festivals, musical instruments, cultural activities, a particular service of a public institution, communal volunteer centers, self-help groups or support for extraordinary purposes at public welfare institutions are examples of this. In the R&I field, foundations established by private donations tend to support medicine, and in some cases natural science, often trying to reach out to high prestige projects.

Since 2000, a number of large foundations by Norwegian standards have emerged, and this has become a very important feature in the present R&I-foundation landscape. This is a result of the public sector giving foundations access to capital, such as income from the privatisation of hydroelectric power companies (the Cultiva Foundation, the Competence Development Fund of Southern Norway), or proceeds from a state lottery (The Extra-foundation). Some new large foundations have also emerged as a result of the conversion of mutual insurance companies or savings banks to limited companies in order to have more flexibility when it comes to capital increases or mergers with other limited companies (the Gjensidige Foundation, the UNI Foundation, Sparebankstiftelsen DnB and several smaller foundations). In addition, a few philanthropists have established R&I-oriented foundations. Private donations funding research and innovation in Norway tend to focus on the short-term support of new activities or projects. However, foundations with the financial capacity to give long-term support would be important for building more self-sufficient R&I institutions in Norway.

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Poland Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Jan Jakub Wygnański

Research and  
innovation



# **Poland Country Report**

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**Jan Jakub Wygnański**

Unit for Social Innovation and Research SHIPYARD



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# 1 Contextual Background

## 1.1 Historical background

The existence of foundations in Poland was historically important. The first foundations were created in the Middle Ages, starting from the 12th century. From the 16th century new types of foundation; were being set up, university-based and supporting educational and scientific efforts. The Cracow Academy in the 17th century had 12 of these foundations, which altogether supported the work of about 900 people. A short while later foundations supporting the printing of scientific publications and the running of libraries appeared. For example, as a result of the operations of private philanthropists (in this case, the Załuski Brothers) the Public Library in Warsaw was created in 1747 (one of the largest in Europe at the time), with over 400 000 volumes (Wierzyński, 1997).

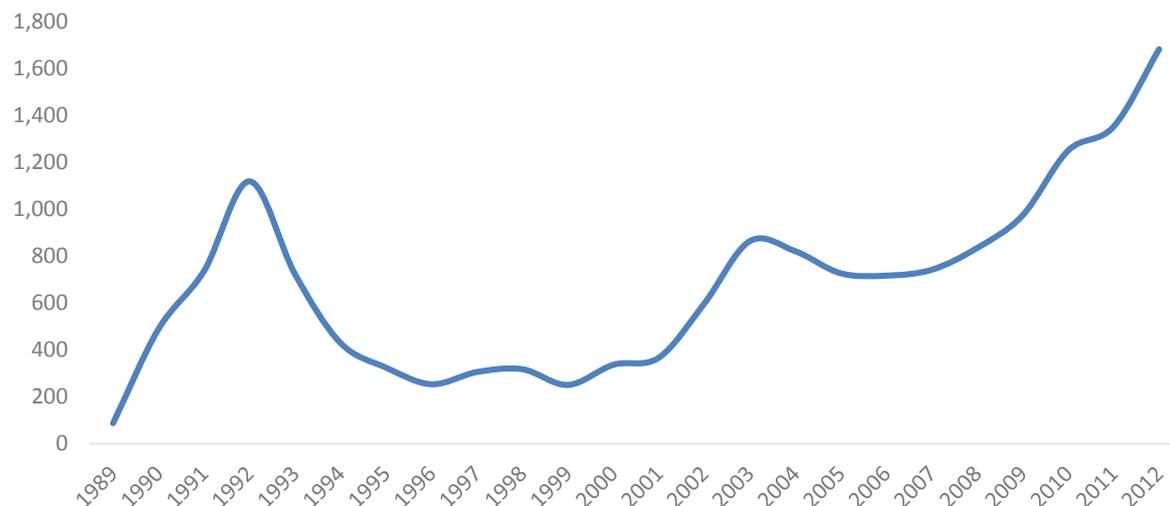
During the 19th century, capital (endowed) foundations (i.e. foundations no longer making a profit on real estate but directly on capital) appeared in Poland. One of the symbols of the philanthropic activities of the time is the activities of Rev. Stanisław Staszic, a monumental figure, a wealthy man (who managed to multiply his fortune through, among others, speculating on the Vienna stock exchange), and in addition one of the great educators and reformers. In 1808, with the use of the property of Rev. Staszic, a seat for the Society of Friends of Sciences was built in Warsaw (today it is the seat of the Polish Academy of Sciences). During the 19th century a number of projects based on the property of individuals (bankers and industrialists) who funded the formation of Polish schools and universities were set up. One interesting example of a support institution from that period was the (still existing) Kasa im. Mianowskiego, created in Warsaw in 1881 and which provided support for scientific research and editorial works (Leś, 2001).

During the interwar period there were over 3 000 foundations in Poland; about half of them acting in the fields of 'education and religion' (among them there were most likely many foundations supporting science). The institution of the foundation was well-recognised and appreciated in Poland during the interwar period.

Many of the foundations were lost in the turmoil of war, and also as a result of the post-war territorial changes (a number of institutions important to the Polish identity remained in territories incorporated by the Soviet Union, including the magnificent collections of the Ossoliński Library, set up in 1817 in Lvov (Leś, 2001). The final blow to the pre-war foundations was delivered by a decree of 1952, in which the Communist authorities closed down the foundations and nationalised their property (Frączak, 1996). The only ones to survive were those that kept their assets abroad (including the Polish-American Kościuszko Foundation, founded in 1925 and still existing today, supporting the activities also in the field of science; and the Potocki Foundation, formed in 1934 and supporting, inter alia, education researchers in the fields of oncology and pulmonology).

It has been once again legally possible to set up foundations since 1984. The real boom in foundations appeared, however, after the changes of 1989 (between 1984 and 1989 only about 130 foundations were registered). Currently there are more than 11 000 foundations registered in Poland. The dynamics of their formation is shown in the chart below. These dynamics were quite uneven: the initial ‘burst’ of enthusiasm waned in the mid 1990s. Since 2000 there have been about 1 000 foundations registered each year, while in the last three years the number of annual registrations has greatly increased, and now it has now reached almost 2 000.

**Figure 1: Number of foundations registered by given years**



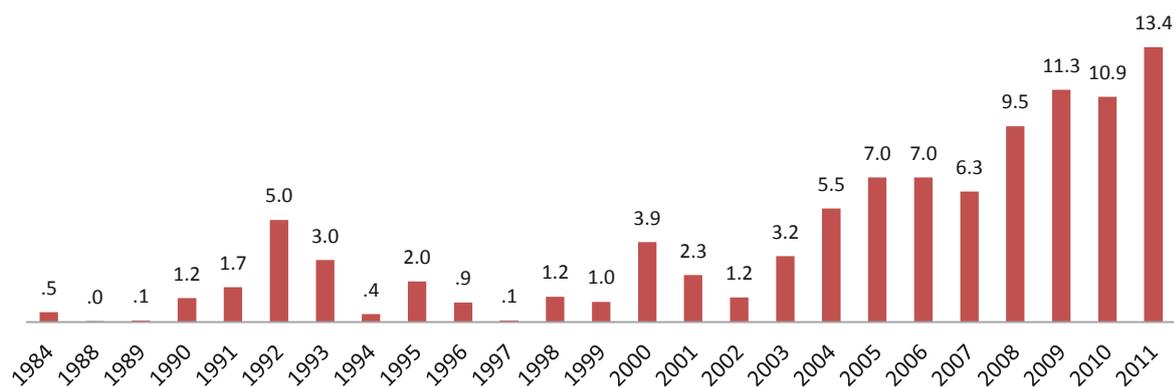
The recent popularity of this form might be related to several factors. Technically and legally this form is relatively easy to establish (there is virtually no capital threshold), the formalities are simple, there is a dense network of support institutions (the so-called third sector infrastructure) dedicated to supporting the creation of new organisations etc. Unfortunately this dynamic cannot be attributed to the growth of a philanthropic attitude, but since these foundations are mainly operational it might instead be explained by the greater needs to be addressed and the increased availability of funding (mainly public).

The fact that so many foundations have been set up does not automatically mean an absolute (net) increase in the number of actively functioning foundations in Poland (as those which end their activities often do not even inform the relevant registers). The ‘demographic’ structure of foundations is shown in the following graph based on the results of the Klon/Jawor survey. <sup>[1]</sup>

1 Klon/Jawor Report 2013

**Figure 2: Year of registration for foundation existing in 2011**

As a percentage of the total population



Foundations' activities over the past 25 years have undergone various changes. Some of the changes have resulted from the actions of the citizens and public institutions seeking a new form for their activities. Some were established or significantly supported by the State (Treasury) and in a sense 'privatised'. In this way the Polish Cultural Foundation and the Foundation for Polish Science (which will be described in detail later) were set up. Some of the assets of several major foundations operating in pre-war Poland have been saved through the establishment of new public foundations (e.g. the Ossoliński Library Foundation and the Kórnik Foundation – both originally set up to help libraries).

However, it must be stated clearly that, despite the large number of currently registered foundations in Poland, most of them (due to a lack of relevant financial resources) in fact differ from the traditional model of the foundation, which donates its assets (private) for public purposes. After many years of effectively blocking civic activity by the State, and in particular the establishment of independent institutions, the foundations registered after 1989 began to be used frequently as a kind of substitute for other forms: associations, companies (as foundations in Poland are allowed to conduct economic activities) or workers' cooperatives, which in fact try to find different kinds of employment for their staff. In the early 1990s several well-known foundations were formed, whose aim was to appeal to the public for charitable purposes and to allocate the assets obtained in this manner to the needy. Well-known examples include the Foundation for Polish Humanitarian Action and the Great Orchestra of Christmas Charity (which in some ways resembles a Telethon, although the Polish equivalent operates on a much larger scale). What connects these projects is that they are not based on the traditional model of the foundation as previously accumulated assets. Moreover, it would be difficult to expect such 'classical' foundations to be created in a country where the resources of citizens and companies were effectively degraded and even plundered by a difficult history and a hostile State. The process of rebuilding a new model of philanthropy, CSR, philanthropy ventures etc. takes time, and this time is measured in decades rather than years. Slowly, however, some foundations have started to appear which indeed refer to the model of dedicated assets intended for public purposes. <sup>[2]</sup>

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2 A good example here is the EFC Czernecki Educational Foundation, founded in 2012 (just before his death) by the Polish businessman Andrzej Czernecki. His entire estate, worth about EUR 100 million, was allocated to setting up a foundation to support indigent countryside young people with fellowship programs.

## 1.2 The legal and fiscal framework

Overall, the activities of foundations in Poland are regulated by the Law on Foundations. This Act of 1984 was the first one to be adopted after the war in the entire Soviet bloc. At that time (1984 and later) the formation of these institutions required governmental approval every time (issued by the relevant minister). The role of the courts was limited to checking paperwork of the foundations and maintaining their registry. After the political changes of 1989 the situation changed. Now only the courts decide on the registration of a foundation, at the same time appointing the appropriate minister to supervise it. In practice this supervision means that individual ministries maintain a register of supervised foundations, which send them an annual report.

Since the political changes in 1989 the Polish State has had a somewhat ambivalent attitude towards the activities of foundations. This is the case despite the fact that under Polish law foundations can only be set up for public purposes (in practice it is often problematic how to separate them from foundations that are de facto private). As a rule, we can say that the financial and legal system in Poland is relatively friendly to NGOs, although on several occasions during the past 25 years we have witnessed several attempts to make the situation of foundations less comfortable. These were, for instance, attempts (each time failed, as the NGO circles were able to fend them off) such as: the taxation of grants awarded by foundations, the introduction of a specific pay-off, the taxation of funds not spent within two years and finally the idea of taxing the assets of foundations invested in debt securities (in fact prohibited for endowed foundations). All these attempts were seen off by, among others, the actions of NGOs, including the formation of the Foundation Forum (which now no longer exists), the Donors Forum, as well as cross-sector organisations such as the Forum of Non-Governmental Organizations (currently the National Federation of Non-Governmental Organizations).

Government activities intended to obtain a greater oversight or taxation of foundations often resulted in the mobilisation of the NGO environment around their own proposals, including the enactment over 10 years ago of the Law on Public Benefit and Volunteerism, which, besides the Law on Foundations, is a fundamental document regulating the activities of the NGO sector and its relationship with the public administration.

In Poland there is no real minimum threshold for an initial fund, or actually there is, but at a very low level – currently between approximately EUR 125 to EUR 500 (depending on its intentions or its non-commercial activities). The foundation formula is thus used to some extent as a convenient legal form for any kind of actions which in the broadest sense can be considered as nonprofit and provided for the public good.

The founders of a foundation can be either individuals or legal entities – hence it is often a useful form to create a sub-unit in other entities, such as universities or companies. Since 1999 the foundations in Poland cannot be created by the State Treasury (Quasi-NGO) – unless it is allowed by a separate dedicated act of law. A good example of this (*lex specific*) are two foundations, admittedly working in the field of science, but which are not covered, due to their nature, by the survey – the Ossoliński Foundation (caring for library collections) and the CBOS Foundation (a public opinion research facility established to serve the needs of public administration).

For the benefit of non-profit organisations (including foundations) funds can be donated both by individuals and companies. In both cases, it is possible to deduct as donations up to 6 % of the income in case of individuals (PIT) and 10 % in the case of companies (CIT) from their taxable income. Tax law provides quite a broad range of tax deductible purposes (currently there is a list of more than 30 so-called public benefit purposes – including support for science and research). Donations cannot be used to support the commercial activities of organisations.

In practice – in the case of activities related to research and innovation, the donations from individuals are of no particular importance as they are more often directed to ‘traditional’ philanthropic areas, such as, in particular, helping people in difficult living conditions. In some cases (although not very often) foundations obtain support from commercial companies. Sometimes (but still extremely rarely) this support is provided by establishing foundations affiliated with certain companies, the statutory activities of which include research and innovation. An example of this kind of foundation is the Polpharma Scientific Foundation (described in this report) set up by a large pharmaceutical company, whose purpose is supporting scientific research.

There is no legal requirement for a foundation to have a council, although most often foundations have one. The requirement to have a collegial controlling body applies only to those foundations that want to have the status of public benefit organisation. These organisations are subject to an additional requirement: that members of their management boards and councils cannot remain in a position that would limit their ability to express an independent view on the operations of the management board (‘arms length’, so, for example, members of the council cannot be married to or family members of the management board). Those organisations are also obliged to publish annually a fairly detailed report on their activities and make it public (the scope of the report is both narrative and financial – including, for example, open information about the salaries of their staff and board members).

A specific solution available to NGOs (including foundations) with a special Public Benefit Status is every citizen's right to transfer for their (NGOs’) needs 1 % of their personal income tax (PIT). This mechanism was introduced in Poland (following the example of Hungary) some 10 years ago within the framework of the Law on Public Benefit Activity and Volunteerism. Currently (2013), around 11.5 million taxpayers use this option, which amounted to a total sum of more than EUR 110 million last year. However, the revenues of NGOs related to science and innovation are very small, as the vast majority of these funds is in fact used for the purposes of classical philanthropy – particularly to individuals seeking help in difficult living and medical conditions.

## 1.3 Foundation landscape

Based on the data from the Klon/Jawor Association – which since the early 1990s has kept a database of NGOs and regularly inspects them – in 2014 there were about 15 000 foundations and 80 000 associations registered in Poland. According to cautious estimates, 60 to 80 % of them are still active.

Foundations are active in various fields. Let us start by stating that often the foundations themselves indicate the area of research as their field of activities. In the Klon/Jawor survey <sup>[3]</sup> they were asked to answer the question about their field of activities in two ways.

**Table 1: The main activities of foundations**

Main field of activity of foundations	% (when only one choice is given)	% (multiple choice)
1. Culture and art	17.5	36.6
2. Sport, tourism, recreation, hobbies	4.5	81.0
3. Education	24.8	55.5
4. Scientific research	2.5	11.0
5. Health care	13.6	28.8
6. Social help and services	12.3	28.7
7. Labour market, employment, professional activation	2.6	14.5
8. Environmental protection	3.1	10.2
9. Local development – social and economic aspects	4.7	17.8
10. Law and its protection, human rights	2.7	7.3
11. Support for NGOs	1.9	16.0
12. International activities	1.2	10.8
13. Religion	0.9	4.3
14. Professional, worker and industrial issues	0.4	3.6
15. Other	5.5	15.1

One way gave the respondents the possibility of multiple choice (by showing multiple fields); the other choice was narrowed down to a single field. If we adopt a more restrictive way, it would appear that only 2.5 % of foundations are active in the field of research. If we allow the respondents to identify more than one field of activity, as many as 11 % of the foundations claim to conduct activities in this field. It is this group that the complementary statistics in this report will be based on. The data collected in the Klon/Jawor survey are in fact more numerous than the data from the EUFORI survey – the organisations are more representative (the problem of self-selection has been eliminated) and the data are fuller (with a much wider scope and greater credibility due to the use of the direct interview technique). The problem

3 On the basis of the Klon/Jawor studies we can analyze the thematic structure of foundations in Poland. The studies are conducted every two years based on a representative sample of organisations (from 2 000 to 4 000) by direct interview. The use of this technique is highly recommended due to the limited data quality (low number) obtained from the EUFORI survey. For the calculations I chose data from the Klon/Jawor survey done in 2010 (instead of 2012) because this survey was conducted based on a large sample of over 4 000 organisations. This means automatically that the number of foundations available for analysis was in this case greater (there were about 500 foundations in the sample). Having access to the raw data in the SPSS format, it was possible to make the appropriate recalculations to the dataset for the purpose and scope of the EUFORI study. Of course there is no direct and full synchronisation of definitions and questions, since the KLON research was conducted much earlier than the EUFORI research.

is that the questions in the Klon/Jawor questionnaire are slightly different from those used in the EUFORI survey and thus can be used only as complementary to the EUFORI study.

In the Klon/Jawor survey we regularly asked about the form of an organisation's activities. Out of the many (about a dozen) available categories we chose two that had at least an indirect relationship with the subject of the EUFORI survey. They might at least indicate an indirect (for example as 'beneficiaries' of research) or non-permanent influence and role of the third sector in the research and innovation field.

**Table 2: The types of activities of foundations**

Types of activity	Foundations active in the field of research	Foundations in general	All organisations (associations included) <sup>1</sup>
Organising of debates, seminars and conferences on topics relevant to the organisations	69.5 %	37.9 %	29.9 %
Scientific research, analyses, collecting and processing of data	70.7 %	17.7 %	9.1 %

## 1.4 Funding for research and innovation in Poland

The first thing to note is that the vast majority of scientific research in Poland is carried out in the organisational units (faculties and institutes) of universities. Universities (particularly public ones) also have the greatest potential in terms of human and material resources. The main sources of funding for science are public funds (domestic and foreign). In other words, the predominant form of both donors and beneficiaries in the field of science is the public.

At the same moment the development of science and higher education in Poland is often hampered due to structural defects associated with the functioning of academic institutions (often anachronistic management systems, bureaucracy, hierarchical systems, an inability to proceed with self-modernisation, frequent 'disconnections' from the outside world). A significant barrier (partly the cause and partly the result of the state of affairs described above) is the insufficient level of funding from both public and private sources. This applies in particular to expenditure on research, which is measured in relation to the GDP. In this respect, Poland is still performing rather poorly compared to other EU countries, although spending on this area has clearly increased in the past few years.

The field of innovation also does not look impressive in Poland. In the 2013 ranking of innovation, as announced by the European Commission in March 2013, Poland was placed in the 4th or 'worst' group in terms of innovation (formally the group was called 'moderate', which can be regarded as a kind of euphemistic term for regression). This group includes, apart from Poland, Latvia, Bulgaria and Romania. Even worse, Poland has poor dynamics of innovation. <sup>[4]</sup>

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<sup>4</sup> see: [http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013_en.pdf)

It is interesting that one methodology applied for the purposes of this ranking (a system of dozens of grouped indicators), and generally a chief Polish asset, seems to be human resources (measured primarily as the percentage of university graduates); strong growth in the number of university graduates has been clearly visible during the last 25 years, which unfortunately has not been accompanied by an equivalent number of doctoral students. Poland also has a poor rating in the fields of: friendliness and openness of the research system (establishing an open, excellent and attractive research system), as well as innovation and the number of links between research and implementation. In the latter two cases Poland has one of the worst rates in Europe. Part of the problem here is probably poor differentiation and the size of the network supporting research and innovation.

As previously mentioned – both scientific research and higher education in Poland are mainly financed from public funds, despite the fact that since 1989 it is legally possible to use private funds for this process (which in this case must be understood as above all the willingness to finance education in universities from one's own resources). This opportunity has in particular been used in university-level education, where over 300 private, non-public universities and colleges have been established, while the public universities have launched a program of paid-for studies. The share of private funds in financing university-level education in Poland is among the highest in Europe. Poland, over the past 25 years, has made unprecedented progress in its structure of education. Currently, the number of people aged 30-34 with a university degree exceeds 39 % (the EU average is 36 %).

The private financing of education is, however, quite a different matter from the funding of scientific research. In general we can say that the Poles direct their own funds towards progress in education – in other words: 'invest in themselves'. The consequence of this situation is the decisive shift in emphasis – as seen in many universities – from research to educational functions.

For several years, however, we have had a debate in Poland on the functioning of science and ways of funding it. In 2010, the parliament passed six laws governing these areas, including the Law on the Principles for Financing of Science. Two important public agencies were also set up to run specialised competitions for research projects funded from the State budget and EU funds. These agencies are the National Science Center (NCN) and the National Research and Development Centre (NCBiR). The profile of funding has also significantly changed – it is now more design than institution-oriented (the so-called statutory tests of the units).

Expenditure on education in Poland is currently almost 1 % of the GDP. Although it has grown in recent years, it is still much lower than what is determined by the Lisbon Strategy, which assumed that by 2010 the expenditure should have reached 3 % of the GDP, and that as many as two thirds of this amount should have come from private funds (in Poland this rate is much lower – approximately one third, despite the recent rapid growth in this area).

**Table 3: Financing R&D in Poland**

	2008	2009	2010	2011	2012
Internal expenditure on research and development <sup>2</sup> (EUR mil) in Poland	1 844	2 170	2 492	2 796	3 434
GDP EUR mil €	305 145	321 652	338 896	365 581	381 633
GERD as % of the GDP	0.6	0.67	0.74	0.76	0.9

Source: Central Statistical Office

Although the situation is improving, the levels and methods of funding Polish science are far from satisfactory. As an attempt to summarise this situation we can quote an opinion from the article ‘Science in Poland’<sup>[5]</sup>. The authors say that ‘Polish population represents 8.5 % of the EU population, Polish scientists represent 4.6 % of the EU community of scholars, the Polish GDP forms 2.5 % of the European GDP, while national funds for education constitute only approximately 0.7 % of the funds allocated for this purpose in the EU’.

### 1.4.1 Funding from private sources

Another issue is the funding of research by the business community, which for many years has remained at a fairly low level. In 2012 there was a significant change in this area – companies allocated almost EUR 1.3 billion to these activities (including the activities carried out by themselves). This change may be related to, among others, major investments in the area of shale gas exploration and investment in the development of the aviation industry, but first of all this growth can be explained by the more direct conditioning of public money by the input (matching) with private funds. Some data on the size of the involvement of the private sector in the funding can be obtained from the Central Statistical Office (GUS) statistics published in 2013. GUS, acting in accordance with the methodology adopted by the OECD, separated four groups of actors (institutional sectors) which conduct or fund research. The share of each one is presented in Table 4 below.

**Table 4: Sectoral structure of financing R&D in Poland**

Sector	Amount (EUR millions)
Companies	1 278
Government sector	960
Universities	1 182
Private non-profit institutions (incl. foundations)	14
<b>Total</b>	<b>3 434</b>

5 Duszyński, J. Szumowski, M. (2012) ‘Nauka w Polsce w obliczu nowej perspektywy finansowej UE 2014–2020 i nowego programu ramowego tej perspektywy – Horizon’ 2020, Nauka No. 2.

An important element in promoting the involvement of private funds in the financing of science may prove to be the unique common proposal by the Ministry of Education and the Ministry of Finance (not yet available), according to which there would be the possibility of writing off 1 % of a company's income tax (CIT) and directing it to any of its research units. This mechanism is somewhat analogous to the one which has been in force in Poland for the last 10 or more years, according to which the citizens can allocate 1 % of their income tax (PIT) to public benefit purposes. This 1 % CIT write-off mechanism could significantly enhance the relationship between business circles and the scientific community and would foster a more practical and commercial nature of research results. It is still not clear whether this innovative solution will be adopted.

### 1.4.2 The scale of funding by foundations

The above table also shows how small the share of funding is from private nonprofit institutions (which largely coincides with the findings of the scope of the EUFORI survey). According to the (Central Statistical Office) GUS data, the overall scale of this funding is less than 0.5 % of the total expenditure on R&D of the total amount of less than EUR 14.4 million per year. According to the Central Statistical Office in 2012 there were only 68 organisations classified as Private Not-For-Profit (PNP) providing funds for research (with just a EUR 215 000 average annual expenditure for that purpose). The overall role of these institutions is marginal, although according to the Central Statistical Office it has been growing dynamically in recent years. Since 2008 foundations' expenditure on research has increased ten-fold (Główny Urząd Statystyczny, 2013). The general statement that the funding from these entities is small (almost none) in relation to other players is difficult to challenge. However, for the record, one could express doubt whether the quota is not underestimated, given that the Foundation for Polish Science (FNP) alone in 2012 spent over EUR 24 million on its statutory objectives.<sup>[6]</sup> In the EUFORI study, the FNP (as a private foundation) was included in the sample.

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6 Which can be possibly explained by the fact that the FNP might have been classified as a public institution, or a portion of its funds allocated to R&D might have been classified as public funds based on the so-called Frascati Method (the Foundation was in a sense a re-distributor).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

In Poland there are a number of registers/databases containing lists of non-governmental organisations (including foundations). The first are the databases run by the NGOs themselves. The most important are the databases maintained and conducted for the last 20 or more years by the Klon/Jawor Association. The same association also conducts regular surveys of the NGO sector, which will be used here extensively. The database <sup>[7]</sup> is available at [www.bazy.ngo.pl](http://www.bazy.ngo.pl) and contains data on all non-governmental organisations, thus allowing a comprehensive search.

The second category of registers are the public records. Two of them are especially relevant in the context of this survey. The first is the National Court Register (KRS), which contains the addresses of all the legal entities registered in Poland. It is used to protect the legal system's operations and contains the names of all the institutions and their authorities. It does not, however, contain any data describing the activities of the institutions. The second and the most important one from the point of view of the EUFORI study is the register of foundations maintained by the Ministry of Science and Higher Education. It currently contains approximately 350 foundations together with information from their last annual report submitted to the Ministry (unfortunately very often this obligation is ignored). This list was the most important source for the purposes of this survey. Unfortunately, the reports submitted to this Ministry do not coincide with majority of the data required for the EUFORI survey. The reports submitted to the ministries are not the only ones that must be provided by foundations. They also report to the Tax Revenue Office (the frequency and scope of this reporting depends on whether and to what extent the foundations conduct business activities). Additional reports are submitted by the foundations with a status of public benefit organisation – there are more than 8 000 of these organisations in Poland. These organisations are required to submit a detailed report on their activities and present it to the public. The reports contain a lot of important data (including financial data), but not exactly those we are looking for in the EUFORI survey. These reports are available on the official website: [www.pozytek.gov.pl](http://www.pozytek.gov.pl)

In addition to the identification of the foundations covered by this research, a thorough Internet enquiry was performed. It was particularly useful in the search for foundations dealing with innovation, as this category appeared relatively recently, and is not taken into account by traditional databases. The Internet enquiry was also used to search for the email addresses of foundations.

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7 One of the criteria that you can use to filter the database is the field of activities of an organisation. One potential problem is that the categories used in the typology adopted by the Klon/Jawor do not directly and unequivocally correspond to the range used by the EUFORI study. There is, for instance, a 'research' category, but there is no 'innovation' category. The categorisation rules for the Klon/Jawor were defined many years ago and were later left relatively unchanged to allow a cross-sector comparison. Finally 485 foundations were selected from the KLON database.

## 2.2 The survey

Ultimately, for the needs of this survey 607 foundations were selected from the main list of the surveyed foundations of the Klon/Jawor database (after eliminating any overlapping ones). The patron of the survey was the Ministry of Science and Higher Education, and this fact was highlighted in the letter of invitation. Also, the Foundation for Polish Science (FNP) wrote about the survey and its benefits in its newsletter. The FNP, as the largest private entity funding research, is a kind of 'gravitation point' for most of the institutions involved in scientific research.

A combination of two distribution methods of the invitations to the survey was adopted: online (PHP Lime Survey) for 440 cases, and conventional (stamp and envelope) for 167 cases. Traditional mail was used only in cases when we were not able to obtain a reliable email address (although in 30 cases the traditional addresses also appeared to be not valid).

In each case, the letter contained not only a link to the online questionnaire (the EUFORI website) but also to the PDF format, which could be printed out by the recipient and sent by mail. Throughout the survey, only one organisation made use of this option; after analysing the returns (incorrect addresses) we looked for alternative addresses. This had a positive effect in the case of several foundations.

From the large number of foundation we encountered less than 10 cases of an explicit refusal to participate (the most common reason given was that the questions on the questionnaire seemed to the potential respondents as irrelevant to their activities, or that they were asked for too many details, which would require a lot of work to be able to respond properly). The information contained in the invitation about the time needed to participate in the survey (30 minutes) seemed unrealistic to the majority of the potential respondents. In some cases the potential respondents refused to fill in the questionnaire, claiming that it was similar (to some extent true) to the survey which their organisations more or less regularly complete according to the needs of the Central Statistical Office or KLON/JAWOR research (which in fact were quite different). Nevertheless, it must be said that most commonly the lack of response resulted simply from ignoring follow-up calls. After four weeks we sent, by electronic and traditional mail, reminders about the survey to all those who had not responded in any way to the first call. Finally, we sent a reminder by post in October and November 2013 to a select number of foundations (about 40) which seemed particularly important to us. This did not have any significant effect, so we decided that sending any further reminders would be unreasonable.

## 2.3 The interviews

In the end, three interviews (semi-structured) were conducted representing different perspectives on the field research and innovation (the government, self-organised players representing the interests of the scientific community and the most important private donors in the field). Those conversations were extremely valuable both as a source of information and as giving an insight into its interpretation and formulating recommendations. The following individuals – in their respective fields – are without question the key figures:

- The Ministry of Science and Higher Education – Anna Welisz, Head of the Control Department. (Ms. Welisz is responsible for overseeing the activities of all the foundations within the field of science).
- Citizens of Science Movement – Prof. Marcin Greenberg (key leader, *spiritus movens* of this initiative, well-informed on the ‘recipient’ side of funding streams of science).
- The Foundation for Polish Science – Board Member Tomasz Perkowski and Coordinator Adam Zieliński (the Foundation for Polish Science is the biggest private foundation supporting science in Poland. This very foundation also oversees a wider network of institutions and individuals active in the field of science).

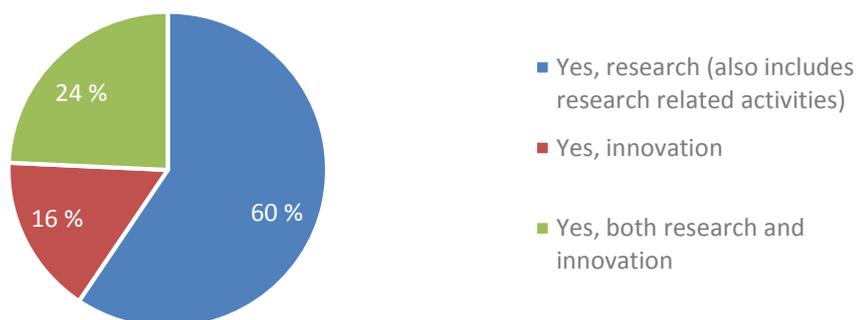
# 3 Results

## 3.1 Types of foundations

The questionnaires were completed by 67 foundations. This is approximately 10 % of those the questionnaire was sent out to. <sup>[8]</sup> This is not an impressive result, but one does not usually get any better in polls conducted by mail. Realistically speaking, the number of foundations we can base our assumptions on is even smaller. The survey starts with a 'filtering question' about whether the foundation supports other entities in the field of research and/or innovation, or whether it works independently. This question was answered positively by only 37 foundations, <sup>[9]</sup> and only they were then asked subsequent questions. At the same time this made any analysis of more than one variable very risky (in some cases not doable) due to the too low number of individual cells in the tables. This problem could be partially reduced by the level of transnational analyses, where the available numbers were much higher.

**Figure 3: Types of foundation according to research and/or innovation**

As a percentage of the total number of foundations (N=37)



Out of the foundations active in the field of research and innovation, only 30 % provide financial support to others. The rest of the foundations are operational (they pursue their own goals independently). About 8 % of the foundations have mixed activities.

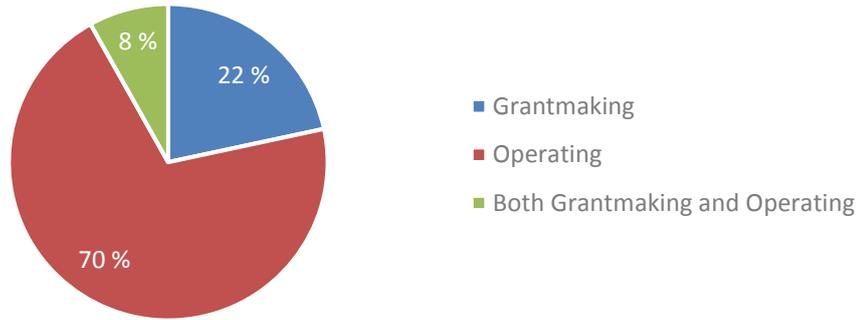
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8 One of the reasons for this might be the fact that general population of the survey was for many reasons designed in a very inclusive form. In fact, part of the survey was testing/narrowing/filtering sometimes too wide a scope of claims by foundations as to their activities in the field of research and innovation. Very often they appeared to have more potential for or be more aspirational towards research, than actually taking part in it.

9 Due to such a small number of entities we have to be extremely careful in formulating hypotheses about foundations in general.

**Figure 4: Types of foundations (grantmaking vs operating)**

As percentage of the total number of foundations N=37



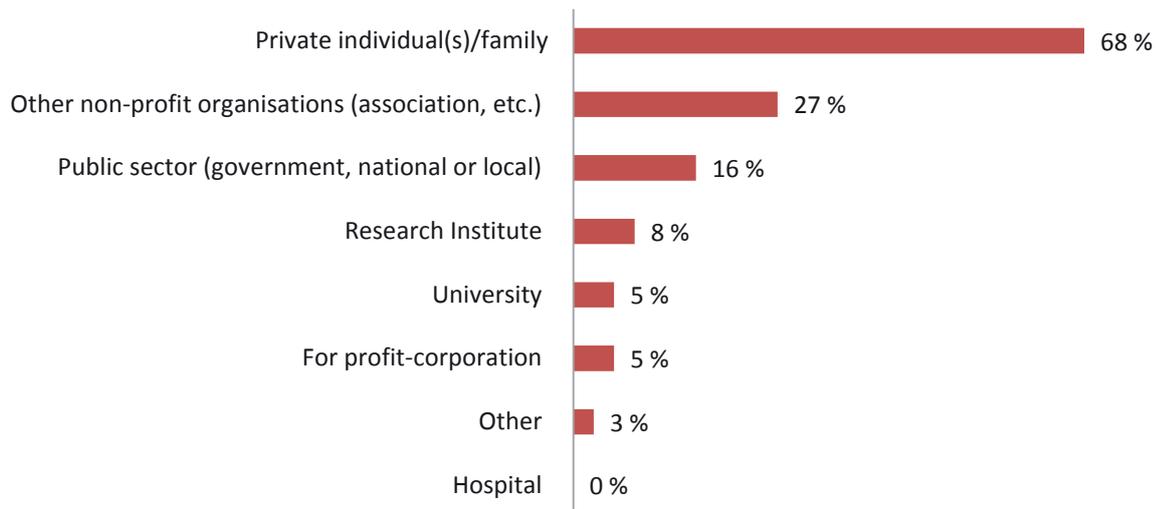
As mentioned previously, foundations have been officially allowed to be set up in Poland since 1984. In the survey group, 25 % of foundations are older than 20 years, 11 % are 10-19 years old and 63 % have existed for less than 10 years. Such a 'demographic' structure is typical for foundations in Poland. Their establishment was very popular in the mid 1980s and during the first period of transition. Later, this model became less popular, but recently it has experienced a kind of renaissance. It is related to the simplification of registration procedures and it may also be associated with a greater chance for obtaining European funds. In the survey group there is a large group of relatively young foundations that have never been through a kind of 'survival test', and we do not know if they will be a permanent part of the institutional landscape of Poland or just an 'episode'.

## 3.2 Origins of funds

### 3.2.1 Financial founders

**Figure 5: Financial founders**

As a percentage of the total number of foundations, multiple answers possible (N=37)



In the group of foundations analysed in this survey the most common type of founders are individuals (about two thirds of all the cases). In second place are nonprofit organisations. Less often the founder is a public institution (as previously mentioned, since 1999 even the State Treasury has not been allowed

to set up foundations). An interesting exception is the already mentioned Foundation for Polish Science, which, although now private, was established on the basis of public property (being first transformed, in 1990, from the State-run Central Fund for the Development of Science and Technology, and then using 2 % of the income from privatised State-owned companies in 2000).

A small group consists of foundations established by research centres and universities (which often have their headquarters within university facilities); the latter in recent years often form NGOs as a kind of institutional interface specialising in the acquisition of external resources wherever the university formula could become an obstacle in this kind of acquisition (which was meant to be proof of the resourcefulness of the university). The total number of such foundations registered in Poland is around 40-50, but many of them in fact remain in 'hibernation'. In our sample there were also some foundations appointed by hospitals. <sup>[10]</sup>

A relatively small number of foundations were set up by enterprises. <sup>[11]</sup> Acting in favour of this will also be the newly announced incentive to allocate 1 % of the CIT tax, as well as the increasingly popular innovation areas and the development of venture philanthropy. In interpreting the responses related to the role of the founders (in particular, the number of individuals acting as founders) we must be very careful and keep in mind that in Poland there is practically no financial obligation for becoming a founder. The question, however, refers to being a founder in a financial sense. Some respondents could recognise the fact they paid the minimum amount as being satisfactory.

### 3.2.2 Income

On the basis of the EUFORI questionnaire (or the rather limited number of responses (only 18) particularly in financial section) any statement about the income of foundations should be treated carefully. A little more can be said on the structure of income, based on the results of the Klon/Jawor survey. The availability of the financial data is in this case better. The data come from 2010, but as to their fundamental structure we should not expect any major changes. The following table shows the values which determine the subsequent deciles of the set. It can be seen here that the median income of the foundations involved in research and innovation is EUR 5 400. This amount is very low considering that foundations as such are commonly associated by their nature to be a source of capital.

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10 With the exception of a few (such as the Foundation for Cardiac Surgery Development named after Professor Religa, which works under the program including 'Polish Artificial Heart', see: <http://frk.pl/>); these are all institutions which either legalise service charges obtained from the patients or collect philanthropic contributions for a particular hospital .

11 Here, too, there are some significant exceptions, such as the Polpharma Scientific Foundation, see: <http://www.polpharma.pl/>), which, since its inception in 2001, has spent over EUR 3.8 million on research projects

**Table 5: Structure of income of foundations (KLON/JAWOR Data)**

Deciles Klonor Data	Amount in Euros
50	5 400
60	11 500
70	48 000
80	147 000
90	330 000

In our small sample (only 18 foundations responded to this question) the distribution of annual income appears to be extremely uneven. In fact, the Foundation for Polish Science has a class to itself with an annual income of approximately EUR 30 million, so for the rest their income is quite modest. Half of those who were in the sample have a very small annual budget of less than EUR 76 000.

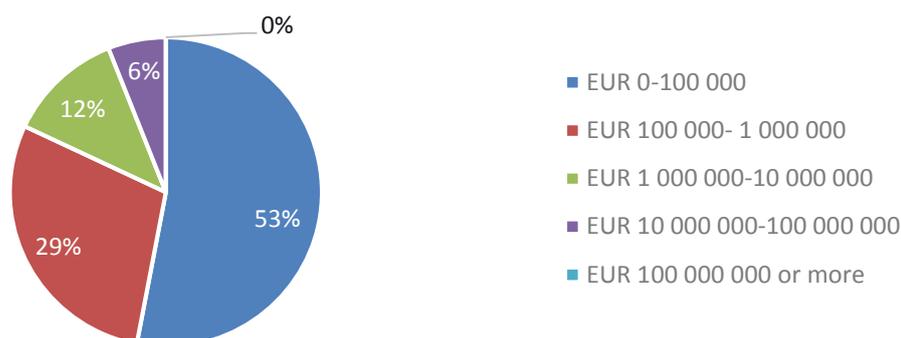
**Table 6: Structure of income (EUFORI Data)**

Quartiles (EUFORI)	Amount in Euros
25	22 730
50	76 876
75	579 267

The same might be categorised in the following way:

**Figure 6: Structure of total annual income**

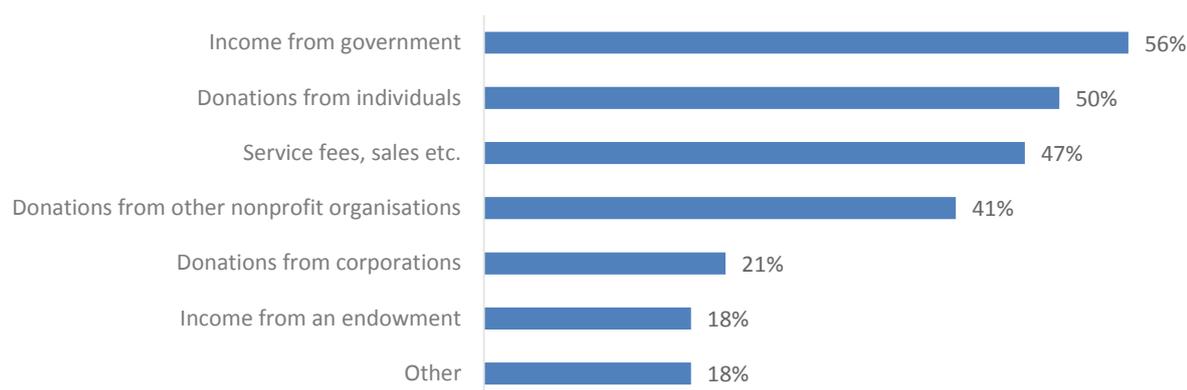
As a percentage of total number of foundations (N=18)



What are the sources of income? There were only six foundations in the sample claiming to receive income from capital endowments, but only two of them wanted to disclose the amount. Only one of them is worthy of attention – the Foundation for Polish Science (FNP), which in general is one of the few in Poland that has endowment at all (The FNP's endowment is now more than EUR 72 million.

### Figure 7: Sources of income.

As a percentage (%) of total number of foundations, multiple answers possible (N=33)



### 3.2.3 Assets

#### Figure 8: Total assets according to category in Euros (2012)

As percentage of the total number of foundations (N=18)



Again, the distribution of the total assets of the organisations are skewed. This reflects the current financial situation of foundations. A notable exception is again the Polish Science Foundation, which has a substantial (in the Polish context) endowment. The other foundations live on 'day by day' pattern. If the Foundation of Polish Science is excluded from the equation, the total assets represent a total of EUR 3.37 million compared with EUR 6.17 million annual expenditure.

<b>Number of observations</b>	<b>18</b>
Mean in Euros	5 235 500
Median in Euros	17 710
Total in Euros	94 238 384

## 3.3 Expenditure

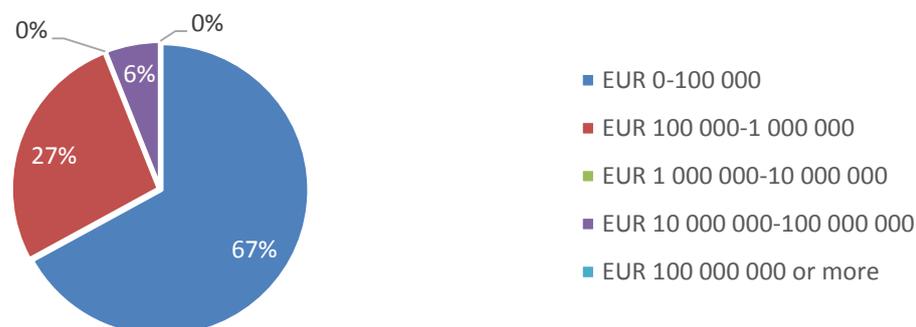
### 3.3.1 Total expenditure

The expenditure of foundations in a sense mirrors their current income as operating foundations (the majority in the sample) are not able or willing to make any substantial reserves (for the same reason they

cannot use them). Again, the figure below shows that the expenditure is very skewed but generally quite low. Half of the foundations in our sample distribute less than EUR 40 000 annually.

**Figure 9: Structure of annual expenditures (2012)**

As a percentage of foundations (N=16)



<b>Number of observations</b>	<b>15</b>
Mean in Euros	1 736 813
Median in Euros	41 311
Maximum (Polish Science Foundation) in Euros	26 578 313
<b>Total in Euros</b>	<b>27 789 018</b>

### 3.4 Focus of support

**Table 7: Focus of support as percentage of expenditures**

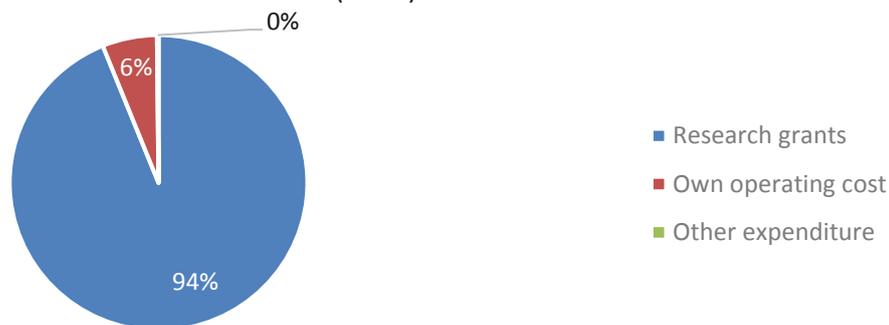
	Expenditure to Research	Expenditure to Innovation	Expenditure to Other
Euros	27 397 795	79 285	33 676
%	99.6 %	0.3 %	0.1 %

As can be clearly seen, foundations are almost exclusively focused (in terms of expenditure structure) on research. This might be related to the relatively new and still quite vague concept of innovation as a separate field of support, as opposed to – so to speak – innovation as a natural attribute of research activities as such. This might soon change as more and more funding agencies (including public and EU) are very much focused on innovation (including social innovation). Strategically more and more decision makers in Poland are aware of the potential trap of Poland not being innovative enough in comparison with the rest of the EU. The innovation ‘narrative’ is slowly becoming more and more accepted and promoted.

The majority of foundations (60 %) in the sample do not provide any external support in the form of grants. In other words they might be treated as operating foundations focused on the research activities directly conducted by them. What we see is a relatively weak (at least in a financial sense) subsector of foundations still not able to support anything than its own efforts in the field of research and innovation. In terms of absolute values this is very different.

**Figure 10: Structure of total expenditure related to supporting research**

As a percentage of the total number of foundations (N=20)



94 % of all the resources available in the foundation sector for supporting research activities are in the form of grants. This effect can be almost exclusively attributed to the existence of the Foundation for Science (FNP), which in a sense individually contributes the majority of these resources. This figure might be very misleading. The same picture would look completely the ‘reverse’ in terms of the proportion of operating costs if the FNP is excluded.

### 3.4.1 Beneficiaries

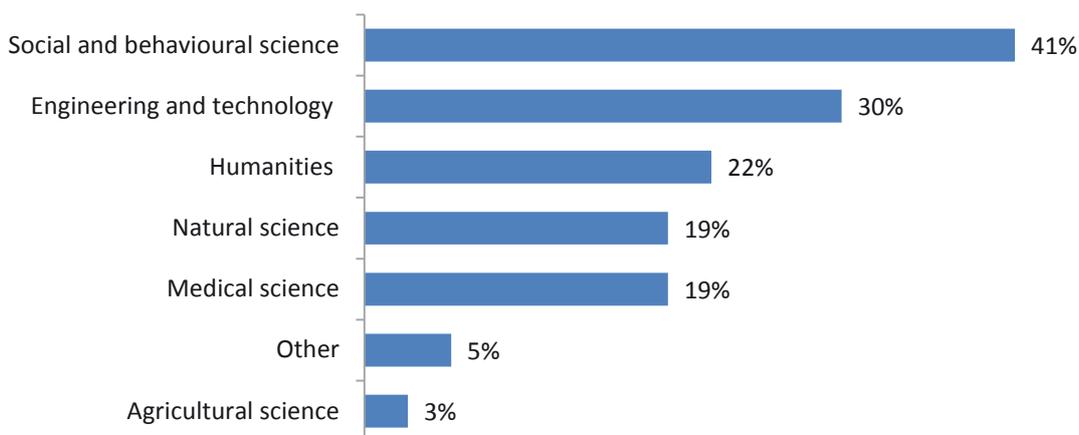
The number of responses is too small to reach any firm conclusions. Since the foundation sector in this field is populated mainly by operating foundations, they are themselves the main beneficiaries. For those who actually support external activities, individuals and research teams are most probably main beneficiaries (also due to the small scale of the available funding).

### 3.4.2 Research areas

The most popular area of activities of foundations is related to social and behavioural science, which is relatively low-cost intensive compared with medical science, for example.

**Figure 11: Foundations' areas of interest**

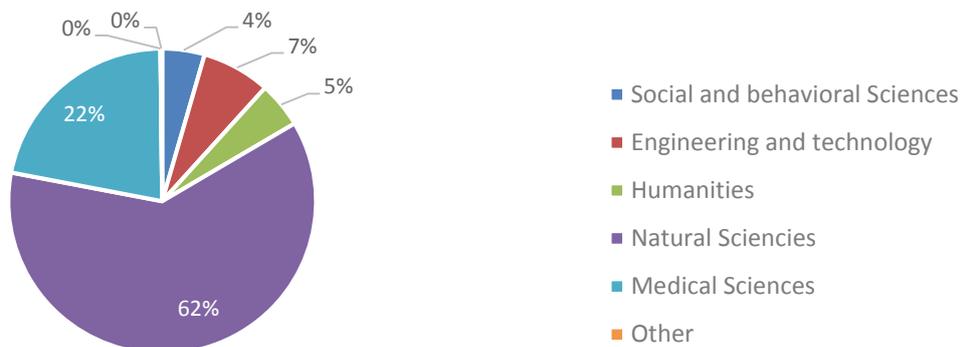
As percentage of the total number of foundations (N=28)



The structure of expenditure is almost opposite to the structure of the organisations. This might be attributed to the fact that although there is a much smaller number of organisations supporting fields like natural and medical science – the cost of these activities are much higher than in other fields (social and behavioral science in particular).

**Figure 12: Structure of expenditure**

As a percentage of the total number of foundations (N=28)

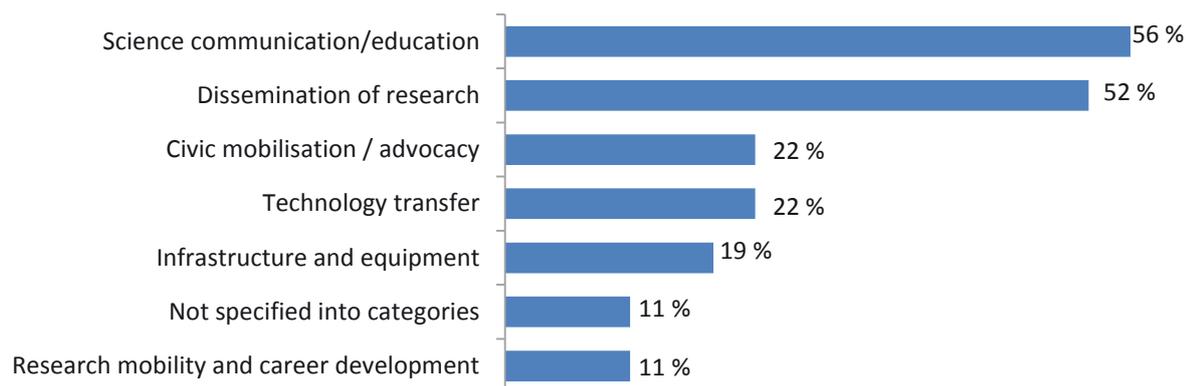


Expenditure of interest	Amount in Euros
Natural science	16 738 457
Medical sciences	5 933 393
Engineering and technology	1 961 927
The humanities	1 313 300
Social and behavioural science	1 213 185
Agricultural science	48 192
Other	73

### 3.4.3 Research-related activities

**Figure 13: Research-related activities in 2012**

As percentage of the total number of foundations (N=27)



### 3.4.4 Changes in expenditure on research and research-related activities

The number of responses is definitely much too small for any firm conclusions. The only thing one can say is that in general, recent years might be described as seeing a slow but constant growth in the activities of organisations and the available funding (both private and public). This ‘tide’ has also influenced those active in the field of research and innovation (particularly innovation). A promising aspect of this change is also related to a specific shift towards a somehow deeper and strategic approach to CSR by leading

companies in Poland. They are increasingly skeptical about traditional philanthropy and are seeking new modes of engagement.

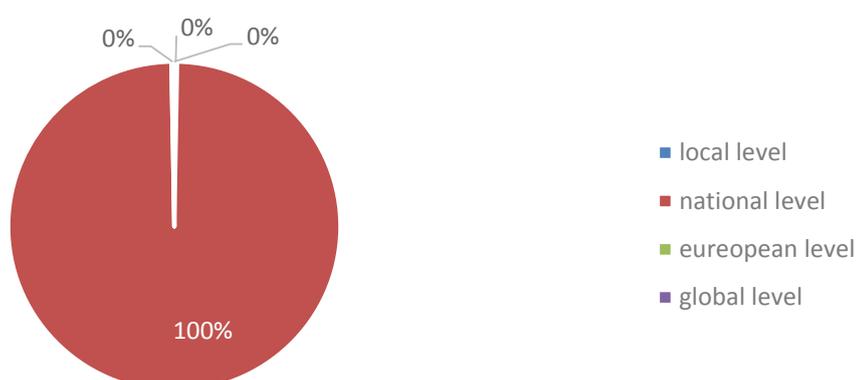
## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

In this survey we obtained 25 valid answers to questions related to the territorial scope of the foundations. The figure below shows that the most common region of activity is that of the whole country – one third of the foundations defined their scope of operations in such a way, and only in this way. 50 % of the foundations operate within the territory of Poland, but not exclusively. Around one third defined their scope of activities as European, but only in one case can this scope be related to more than 50 % of their activities. Only three foundations indicated a global level, and for each one these activities are low in intensity (less than 20 %). The most common description of geographical scope of activity is national. There are just few cases who mentioned an international dimension, but the financial aspect is almost non-existent. Virtually all the resources are focused on a national level (again this is the Polish Science Foundation ‘effect’.)

**Figure 14: Expenditure in Euros**

As a percentage of the total number of foundations (N=27)



Geographical focus	Amount in Euros
Local level	75 411
National level	27 323 198
European level	68 175
Global level	9 850

### 3.5.2 The role of the European Union

One of the most important objectives of the survey was to determine the recommendations/expectations of the foundations related to EU institutions. This is probably one of the most important results of the EUFORI survey. In the case of Polish foundations the structure of the expectations/postulates is as follows:

**Table 8: Role of the European Union**

Expected role of EU	%
Collaborating with foundations in projects	62 %
Providing a structure to enhance collaboration	49 %
Investing in an information infrastructure by databases	38 %
Providing fiscal facilities	30 %
Providing a legal framework	14 %
Contributing to awareness raising about foundations	8 %
Evaluating projects from foundations	8 %
Other	8 %

Most of expectations apply to launching/supporting the widely understood co-operation infrastructure (databases and other structural measures to foster co-operation) as well as direct co-operation in research projects. There are relatively rare expectations that relate to the evaluation of projects and promoting the role of foundations. This outcome is far from being a surprise. The EU (at least in Poland) is more generally perceived mainly as a source of funding (which is how 'collaboration' is interpreted) and as a 'framework provider'. There is no particular expectation regarding the country's specific legal framework, raising awareness (which again is more a county-specific subject) or evaluation (which is often interpreted by organisations as a form of control due to the fact that it is imposed by donors).

### 3.5.3 Contribution to European integration

A somewhat symmetrical question relates to the problem to what extent foundations' activities have a positive impact on European integration. As it turns out, although most of the foundations have a local or national scope of operations, a relatively large proportion of them consider their actions to be useful from the point of view of integration processes. Almost half think that their actions have a positive impact on integration in the areas of education, research and, more broadly, in the area of the exchange of ideas, technologies and products. Every fourth foundation believes that it has a positive impact on the processes of social integration, understood as the convergence of living and working conditions (the wording of this question for many respondents might have seemed unclear).

**Table 9: Perceived contribution to European integration**

Do your activities contribute to European integration?	%
Yes, integration on educational issues (e.g. encourage and support free movement of the academic community within Europe)	46 %
Yes, integration on research issues (e.g. encourage and support joint research projects within Europe)	46 %
Yes, integration on cultural issues (e.g. the process of one culture gaining ideas, technologies and products of another)	41 %
Yes, integration on social issues (e.g. the convergence of living and working conditions)	24 %
Other	0 %

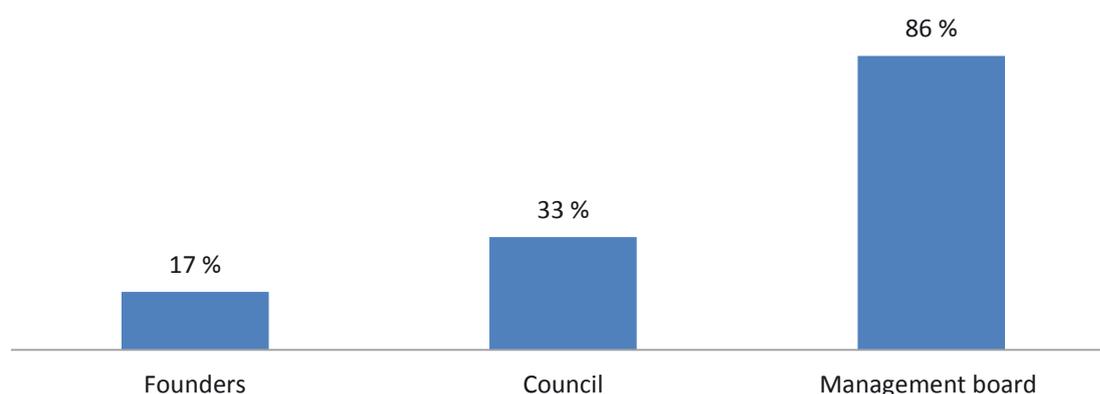
## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

In this survey we tried to find out who defines the current directions for the foundations' activities. Due to the specific Polish model, the role of the founders is not too significant (perhaps also because the founder rarely provides the institution with funds and therefore the traditional model of the so-called ordinary foundation is difficult to use). Of course, the inalienable right and precondition to establishing a foundation is included in its statutes by the founder about its goals, but most often these goals are defined in such general terms that in practice a number of important operational decisions are taken at the level of a foundation's management board or council of. Thus, the founders decide on the current directions of activities in approximately 17 % of the foundations, while councils do so in 33 % and management boards in 86 % of the cases. The total exceeds 100 % because often the mechanism of approving plans is mixed in nature. For example, plans can be proposed by a foundation's management board and approved by the council. These results once again emphasise primarily the operational nature of foundations' activities in Poland.

**Figure 15: The current directions of activities**

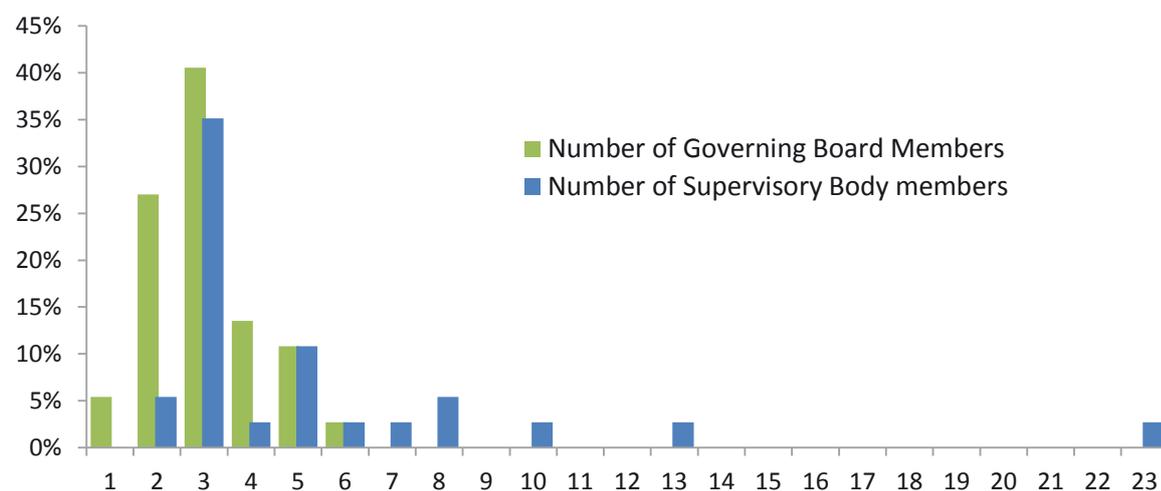
As a percentage of the total number of foundations (N=23)



### 3.6.2 How are foundations constructed?

The survey sought to determine only the basic parameters, such as size. In a formal sense the foundations' management boards and councils, as well as their competencies, are determined by their statutes. As the figure below shows, the management boards in practice are usually less numerous than councils. In the case of three quarters of foundations the number of people on the board does not exceed three (it can legally be as low as just one person). In the case of councils the number is slightly higher (although here too the modal value is 3), but there are also really large bodies in excess of ten people.

**Figure 18: Structure of foundations governance**



### 3.6.2 How do grantmaking foundations support research?

We asked the foundations which policies/practices related to the process of distributing grants are used by them. Thus, we can say that the foundations we examined were very rarely ready to support projects other than contests organised by them (unsolicited grants). In terms of announcing contests, a significant number of the foundations tried to make the information on potential support generally available (which certainly applies to foundations distributing public funds). The vast majority of the foundations adopt a policy of a wide range of projects rather than a concentration of a smaller number of large projects/institutions. Some of the foundations do not expect to present any evidence regarding the use of their grants and their effects. A large number do not require this evidence. The results, however, may be somewhat misleading here. A widespread aversion to risk (especially when it comes to public funding) is one of the biggest constraints in terms of financing of innovation. Private sponsors are definitely more imaginative here. Still, some mechanisms based on the model-challenge/award – with defined expectations of the 'product' and the assumption that the risk is taken by the person applying for the support – slowly start to appear.

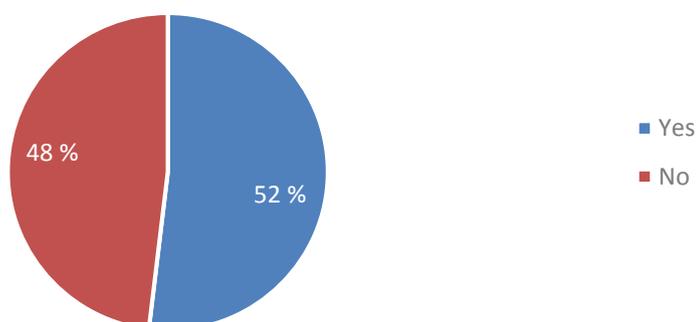
**Table 10: Grantgiving practices of foundations**

Grant-giving practices	Never	Rarely	Sometimes	Often	Always
Our foundation waits for applications from third parties, with no active call for proposals.	50 %	30 %	10 %	0 %	10 %
Our foundation pro-actively searches for projects (e.g. through competitive calls for proposals).	10 %	30 %	0 %	40 %	20 %
Our foundation prefers ‘small’ grants to multiple organisations/individuals over ‘large’ grants to a few organisations/individuals.	25 %	50 %	25 %	0 %	0 %
Our foundation demands evidence of how grants have been spent after funded projects have been completed.	22 %	11 %	0 %	11 %	56 %
Our foundation conducts evaluations to assess whether a grant was successful and why.	0 %	22 %	0 %	44 %	33 %
Our foundation is involved in the implementation of a project which it funds.	11 %	44 %	11 %	22 %	11 %
Our foundation supports an organisation only once (i.e. projects can receive a grant one time only).	56 %	22 %	11 %	11 %	0 %
Support from our foundation is on a long-term basis (i.e. every year an amount for a project for multiple years).	22 %	33 %	0 %	11 %	33 %

### 3.6.3 Partnership practices of foundations

**Figure 17: Engagement in partnerships**

As percentage of the total number of foundations (N=27)



**Table 11: Partnership with other institutions**

Engagement in partnerships Partners	%
Universities	71 %
Other non-profits (e.g. associations, etc)	64 %
Foundations	43 %
Research institutes	43 %
Companies	36 %
Government	29 %
Hospitals	7 %

Only half of foundations are actively involved in partnerships with other institutions. Most frequently the foundations' partners are universities and other non-governmental organisations. Their relationship with each other is fairly natural. Clearly, the more rare relationships are with companies and government institutions. Least likely to appear are relationships with hospitals.

What are the reasons for the creation of partnerships? Taking into account the answers to the previous questions, stating that the most common partner to foundations are universities, it is probably not surprising that the most common motivation for entering a into partnership is a concern about the increasing credibility (legitimacy) of activities and seeking additional powers or the necessary infrastructure. Partnerships may also serve to improve the scale of their impact. In half of the cases, the partnerships are seen as helpful in collecting the necessary funds. The rarest cause is the desire to avoid the duplication of activities. With such a modest scale of operations of foundations active in the field of science it is not, apparently, a common problem.

**Table 12: Reasons for partnership**

Why did your foundation engage in these partnerships?	%
To increase legitimacy	79 %
Pooling expertise and/or sharing infrastructure	71 %
Expanding activities (internationally or otherwise)	71 %
Increasing impact	64 %
Pooling money for lack of necessary funds	50 %
Creating economies of scale	21 %
Avoiding duplication of effort	14 %

## 3.7 Roles and motivation

### 3.7.1 Roles

**Table 13: Role of foundations in the domain of research and innovation**

	Never	Rarely	Someti mes	Often	Always	Don't know
As complementary (additional to public/other support)	3.8 %	7.7 %	19.2 %	30.8 %	23.1 %	15.4 %
As substituting (instead of/a substitute for public/other support)	25.0 %	20.8 %	8.3 %	25.0 %	4.2 %	16.7 %
As initiating (aimed to start a project with the expectation that others will take over)	24.0 %	12.0 %	16.0 %	28.0 %	8.0 %	12.0 %
As competitive (aimed to rival with other initiatives)	24.0 %	24.0 %	16.0 %	16.0 %	8.0 %	12.0 %

It turns out that in most cases the roles of foundations are by themselves referred to as being complementary to what other partners do (in particular, other public institutions) – the sum of indications ‘often’ and ‘always’ exceeds 50 %. Least frequently foundations play the role of competitors (this sum indicated as ‘never’ or ‘rarely’ at about 50 %).

Somehow complementarity might be insight into challenges faced by foundations active in the field of science, based on the Klon/Jawor research. The main obstacles defined by the respondents are related first to a lack of funding (this might be not unique to Poland), which is somehow related to this issue of procedural barriers of access and reporting of funds (including EU funds distributed on both a national and international level). These are all in a sense external. What might be in a greater reason for concern is that almost half the organisations openly admit that they have problems with people willing to be involved on a voluntary basis in the activities of the organisations. Otherwise, the organisations do not see too much of a problem in their internal issues (one could risk the opinion that it is also a problem of objective self assessment).

**Table 14: Challenges facing foundations**

Problems your foundation had to face in the last 2 years	%
Difficulties in obtaining funds or equipment necessary to conduct the activities of the organisation	72.1
Overly bureaucratic public administration	53.4
Overly complicated formalities related to the use of funds, access to sponsors or funds of the European Union	52.6
No people willing to selflessly engage in the activities of the organisation	44.4
Imperfection or lack of rules governing the activities of the organisation	36.2
Unclear rules of cooperation with public administration	33.2
Difficulties in maintaining good staff, volunteers	31.9
Lack of access to reliable information important to the organisation	23
Unfavourable image of NGOs in the eyes of the public and the media, lack of trust in NGOs	20.6
Excessive control on the part of the public administration	19.4
Too high tax burdens	19
Lack of cooperation or conflicts in the community of NGOs	17.8
Fatigue of the leaders of the organization, 'burn-out' on the part of the people involved in the activities	17.7
Competition from other NGOs	15.9
Conflicts with other institutions (other than NGOs)	12
Conflicts, tensions within your own organisation	5.9
Moving away from the mission the organisation was established for	3.9

# 4 Innovative Examples

For the purpose of EUFORI, four distinctive examples of organisations and their programs were selected. They are in fact (in my opinion) the most interesting and innovative private and non-for-profit players in R&I in recent years in Poland.

**A. The Foundation for Polish Science** is, without any doubt, the most important foundation from the point of view of science funding in Poland. It is also one of the largest foundations in the whole of Poland. The foundation has the status of a public benefit organisation, which means that it has to meet the high demands in relation to its principles of governance and transparency.

It is one of very few Polish foundations with an endowment. It has been innovative since the Foundation was transformed in the early 1990s from the State-run Central Fund for the Development of Science and Technology. Since 2000 it has received 2 % of its revenue from the privatisation of state-owned companies in Poland. It is classical example of a process recently described by Lester Salamon as 'Philanthropicization through Privatization' (Lester, 2014). From that point of view the Foundation is not a 'classical' private foundation – it was set up by the government with the use of public property. The government appoints the members of the Council of the Foundation, but its statute states, for example, that the members of the Council can be only the persons holding the title of professor. The Foundation is also independent in its main decisions and therefore was included within the scope of the EUFORI research. The Foundation can be classified as a quasi-NGO. It is extremely important that the operations of the Foundation and its organisational culture was largely modeled on large private foundations – in terms of its management system, setting goals, formulating its strategy and the mechanism of allocating grants. The foundation has been operating for more than 20 years and plays a significant role in supporting Polish science. Many people who question in general the role of foundations in supporting science in Poland cannot even name any other institution of this kind. The Foundation is guided in its activities by several clearly formulated principles. It focuses on promoting top projects, it directly supports scientists and their teams, as well as providing grants within open competitions, in which an essential element of the assessment relates to the substantive values of any given project, which is evaluated by the scientists themselves.

In 2012 the Foundation spent over EUR 26 million on supporting science (of which approximately EUR 4.8 million was its own funds and approximately EUR 21.2 million was managed by the Foundation as the trustee of the public funds, including EU funds). Again, it is a unique (at least in Poland) mechanism of using a private foundation as an operator of a very substantial amount of public funds. The foundation is currently conducting several programs, some in the form of awards, scholarships or grants. This is not the place for a detailed description of these, so we will just mention a few.

The FNP Prize (called the Polish Nobel Prize) is a very prestigious award awarded annually since 1992 for outstanding achievements in the field of science. The prize is awarded by the Foundation in four areas. The award is in the form of cash, and in 2012 it amounted to approximately EUR 50 000.

The 'Ideas for Poland' program rewards non-Polish researchers who would like to pursue important research projects in Poland. Somewhat similar to this is the idea of the Humboldt Scholarship – limited, however, to researchers from Germany. This is again unique and worthy of the attention, for example, of European research cooperation.

The Foundation also runs programs supporting Polish scientists (in the form of post-doctoral studies) at leading universities abroad. In this way, for example, the KLOUMBUS program is run, who provided support in 2012 for more than 200 scholars. More about the Foundation see: <http://www.fnp.org.pl/> <http://www.fnp.org.pl/en/> (English version).

**B. Citizens of Science** is a unique idea for social self-organisation focused around the issues of science, and in particular the concern for the better design of public policies on science. The Citizens of Science movement is an interdisciplinary, cross-industry and in a sense intergenerational initiative, which is also the source of its great strength. The initiative was launched in 2012, and was partly inspired by a similar project known as Citizens of Culture, which managed to force the government to sign the so-called Pact for Culture, which is a kind of public commitment by the government to engage its policies in the issues of the wider culture. Citizens of Science has an analogous objective – to create a proposal for the Pact for Science and to force the government to sign it. The ambition of the Citizens of Science is to formulate and implement a systematic approach to the problems of science in Poland. It is meant to be a system of funding not only of science, but also of the wider issues of 'division of labor' between different universities, business entities and science-related bodies, including nonprofit institutions, which could play a wider role than the one they play today within the system. It is a completely new (not only in Poland), bottom-up, dynamic movement operating much beyond (and partially in opposition) to the formal corporatist dialogue.

Citizens of Science plan to seek reforms to the inner functioning mechanisms and the management of universities and their funding, as well as issues such as the evaluation of researchers, and relationships with other (in particular business) communities etc. Outside its advocacy, the Citizens of Science's activities are also involved in practical actions relating to, inter alia, the popularisation of science, teacher education, the openness of resources and the relationship with the business world. More information can be found at [www. http://obywatelenauki.pl/](http://obywatelenauki.pl/)

**C. Scholarship programs run by foundations.** The limited wealth of Polish foundations does not really allow them to play the roles of big investors or sponsors of research (especially basic research), but it still gives them the chance to support individual learners or persons conducting research. As such, this issue is not a subject of the EUFORI study, but it is still worth noting. There is even a website (run by nonprofit organisations) devoted (as a specific database) to the issue of scholarships in Poland (<http://mojestyphen->

dium.pl). According to conservative estimates, <sup>[12]</sup> there are over 300 institutions in Poland engaged in more than 350 scholarship programs (not counting EU and government programs). Of that number, there is also a group of scholarships awarded to research (in a narrower sense) and the development of research careers (particularly in the form of doctoral and post-doctoral studies).

Support in the form of doctoral scholarships is provided, for example, by the Polish American Freedom Foundation, which, together with the Educational Enterprise Foundation, which organises annual competitions for doctoral scholarships. Until now there have been about 60 scholarships awarded in five editions of the competition. It is worth noting (specifically in the context of European comparisons), that for many reasons Poland has a very important role in increasing the opportunities in the career development of researchers from outside the EU (especially on massive scale from the former Communist countries of Eastern Europe and Central Asia). Again, this is a unique and important international program combining academic efforts, but also a very strong vehicle of so-called civic diplomacy. If we are talking about private institutions (foundations), a particularly important role in this respect is played by a different program of the Polish-American Freedom Foundation, which, together with the Foundation 'Education for Democracy', since 2000 have supported, as part of the L. Kirkland program, nearly 600 people. Support for researchers from outside the EU can be called a kind of speciality of at least a few Polish private and public institutions (including, for example, the Eastern Europe Center at the University of Warsaw).

Apart from the Foundation for Polish Science, which has the greatest achievements in this area, we can mention here two other corporate foundations that launched programs of awards for outstanding young researchers. One of them is the Foundation of L'Oreal – <http://www.lorealalakobietinauki.pl/> – which for more than 10 years annually awards several doctoral and postdoctoral scholarships to outstanding women scientists. Another example would be the Polityka Foundation. For several years, this foundation (associated with one of the most influential weeklies in Poland) has provided awards for outstanding young researchers. These awards are granted in the form of an annual competition, with ultimately five winners. The previous version of the prize (which functioned for about 10 years) was conducted under the program 'Stay with us', whose main aim was to prevent the emigration (often permanent) of the most talented young Polish scientists.

**The D. Polpharma Scientific Foundation** was established by Polpharma in 2001. Its mission is to promote the development of pharmaceutical and medical science through funding research in these areas. In Poland, this type of foundation is very rare, so it is worth describing this case. The Foundation, from the moment of its inception, has donated EUR 3.8 million. Through annually-held competitions, support is provided to approximately 60 research teams. The decision on grants is taken by the Scientific Council of the Foundation, consisting of experts in pharmacology and medical science. Since 2006 the Foundation has also provided support in the form of scholarships for young scientists. So far, about 30 people have benefited from it. The Foundation is also a publisher of a scientific magazine and a report (quite innovative in Polish conditions) on the attitudes and opinions of patients. This effort represents a new approach to

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12 Evaluation study conducted by the STOCZNIA Laboratory for Research and Social Innovation on the order of the Philanthropy Development Academy, which runs the website [mojestypendium.pl](http://mojestypendium.pl)

strategic philanthropy in Poland (in fact reciprocal in its nature). In the last few years this pattern has been copied by several other big companies (including, for example, telecommunication giants such as Orange involved in different forms of 'hackathons' and other idea-generating schemes).

# 5 Conclusions

## 5.1 Main conclusions

- It is difficult to speak accurately about the condition of foundations supporting science and innovation because collecting data on them (or at least questioning the foundations online, as done in the EUFORI project) proved to be difficult. In the survey, despite multiple reminders and the patronage of the Ministry of Science, only fewer than 70 foundations answered positively to the questionnaire (sent originally to 600 recipients). This result has not allowed us to formulate any firm conclusions. For some questions (especially related to financing) the research material is so small that in fact there is nothing to say about it. For that reason the report was extensively complemented by other sources – particularly the KLON/JAWOR research.
- The sector of foundations supporting science and innovation in Poland is currently relatively modest. Although nominally several hundred foundations are registered, which among their statutory purposes mention the support of science, in fact only a few of them strongly support research and innovation. Such foundations' activities are at best complementary to the actions of other entities.
- The impact of foundations on funding science in Poland is in fact marginal, with the exception of one particular case – the Foundation for Polish Science (which, however, is largely supplied by public funds). Financing scientific research is mainly the burden of the public administration (about two thirds of all needs comes from this source). The level of funding science in Poland has risen in recent years, but it is still less than 1 % of the GDP. The involvement of private funds requires a radical increase.
- The vast majority of foundations serve just as a mechanism for collecting funds for their own actions and not for distributing funds to others. In practice, foundations are often a form of substitution for other institutions (like associations or companies).
- This situation is slowly changing and some more mature philanthropic attitudes are starting to appear. Also, the business community, seeking competitive advantages and innovative solutions for themselves, is increasingly more and more ready to cover the costs of scientific research (as well as to take partial responsibility for financing various mechanisms proposed by the government); quite helpful in this respect should be the unique (currently remaining as a planned project) mechanism allowing for the transfer by entrepreneurs of 1 % of corporate tax (CIT) to the needs of research projects conducted by academic institutions. It seems that we must simply wait for a further increase in the importance of foundations in the area of financing science.
- External conditions (legal and fiscal), although far from being perfect, in general can be considered as friendly. The procedures required to incorporate foundations' administrative burdens and tax benefits remain at a reasonable level and in the long run should encourage the development of foundations.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Poland

Strengths of foundations in R&I (or rather opportunities):

- Favourable legal and fiscal environment for foundations.
- Relative 'freshness' of the field – space for institutional experiments both within the nonprofit sector and its environment.
- Substantial number of foundations nominally/potentially interested in supporting research and innovations.
- Growing amount of funding being invested in R&I (including a new programming phase of EU funds and increasing the involvement of private companies).

Weaknesses of foundations in R&I:

- Very limited number of the really 'big' players in that field (namely just a few).
- Extremely low financial input of private foundations in the field compared with other sectors.
- Weak practices of private philanthropy; traditional, anachronistic and charity-type models of CSR among corporations.
- Lack of internal structures of foundations active in the R&I field and representation of common interest.
- Complicated access to public funds dedicated to the support of R&I and a lack of relevant support structures in that field (risk aversion, lack of proper evaluations of outcomes).
- Tunneled 'closed circuit' of public funds to public institutions.

## 5.3 Recommendations

- Defining the legal capital endowment and the creation of special tax incentives for donors. The statutory tax exemption for assets transferred to the establishment of foundations.
- Considering whether it would be reasonable to introduce a capital threshold for the creation of new foundations to avoid the creation of quasi-foundations (operating only as operational, not grantgiving).
- Concluding the ongoing (for a long time) work on a European foundation status, which, in particular in the area of science, would be of great importance and would open up the Polish academic community to transnational cooperation.
- Possibly far-reaching assistance to Polish entities (including foundations) in competing efficiently in European research projects (Horizon 2020, etc.). More quality support for Polish foundations to become partners and leaders of research consortia.
- Creating better innovation support mechanisms within the framework of the so-called new programming period (till 2020) – in particular the creation of the rules that would ensure a greater acceptance for the level of risk necessary in case of innovations.
- More strict linking of research results with the needs and opportunities for their practical use – foundations can in this case play the role of brokers (this will be very much in accordance with the new priorities of Horizon 2020).
- Analysis and possibly launching of a specific new model of foundations structurally associated with academic institutions and supporting universities.

- Creating incentives for entrepreneurial commitment to supporting research and innovation.
- Appreciating the importance of smaller organisations (foundations), which, although not rich enough to support their research, can successfully operate in a scientific environment, for example, in the area of the popularisation of science, scholarships, funding for prototypes and innovative designs etc.
- ‘Demonopolising’ the field of research and innovation and more appreciation of practitioners and non-academic players, or mix of these two (so-called ‘pracademics’).
- Working to improve the image of foundations, whose role is currently not understood and appreciated. The creation and running of social campaigns which would explain such role. This might be relatively easy, since in Poland, public television is obliged to provide access to its broadcasting time for public benefit organisations.
- Greater integration of foundations active in the field of science. Exchange of experience. Joint advocacy activities to improve the conditions in which the foundations operate.

General remarks considering the interpretation of the number of foundations in Poland are the following: for people who are therefore used (mainly outside of Poland) to perceiving foundations as a potential source of support for other entities, the relatively high number of foundations registered in Poland may be somehow misleading. First – the huge majority of foundations seek money rather than deliver it to others. Secondly – since foundations do not have a monopoly for supporting and conducting research and innovation, we can say that narrowing the scope of the survey down to the foundations themselves is not so obvious. Some of the foundations in Poland, in fact, do not differ so much from associations (except that associations must have members). In Poland this distinction is quite important, and if we were to accept that the scope of the survey should be (ultimately) based on the financial aspect, it would be more appropriate to consider here the entire sector of nonprofit organizations (and thus also associations), which are more numerous in Poland and part of them seem to meet the criteria of the EUFORI survey (e.g. professional, labor and industry associations which conduct research activities).

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## (Footnotes)

1 We should also recall that although in the EUFORI survey the scope of the survey was limited to foundations, taking into account the fact that the majority of foundations are no different from other

entities (in particular associations), the limitation is in some sense artificial. If we were not bound by this limitation, it would 'turn off' the foundation filter that 1.5 % of all organisations are active in the field of research (if we accept the principle of a single indication; with multiple indications the figure would be approximately 6 %). Taking into account that there are about 100 000 organisations in Poland, we have to conclude that about 1 500 of them deal with scientific research as their main activity, while about 6 000 treat research as one of their fields of activity.

2 All financial data were recalculated from their original values in Polish Zloty to Euroe with an exchange rate of 4.18 pln = EUR 1 (National Polish Bank official exchange rate on 10 May 2014).





Portugal Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Raquel Campos Franco

Research and  
innovation



# **Portugal Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 Historical background

The foundation sector is a relatively recent component of the Portuguese non-profit sector. However, the history of the Portuguese non-profit sector dates back to the birth of the nation, in the 12th century, when Catholic Church institutions already assisted, among others, the sick, the poor, pilgrims, orphans and foundlings. The culture of giving in Portugal has traditionally been deeply connected with the Church and people's expectations regarding a place in Heaven.

In the late 15th century, the monarchy and the Church, Queen Leonor widow of King John II and Father Miguel Contreiras, joined hands to create the *Misericórdias*,<sup>[1]</sup> built to put into practice the works of mercy, the corporal and the spiritual. The *Misericórdias* are long-lasting organisations still active and relevant in the present.<sup>[2]</sup> The oldest of them was founded in 1498, the *Santa Casa da Misericórdia de Lisboa*<sup>[3]</sup> ([www.scml.pt](http://www.scml.pt)). The patrimony some of these institutions have been able to accumulate throughout the years came (and still comes) from the wills of individuals and families who relied on the *Misericórdias* to put them to good use. In parallel with these old institutions, there is a broad set of non-profit organizations - associations, foundations and cooperatives - mostly created after the 1974 revolution, when after a 4-decade-long dictatorship regime, the country saw a renaissance of the civil society movement, with a particular focus on the social welfare subsector (Franco, 2005 and Franco et al., 2005). The unusually large share of organisations that provide social assistance is a distinctive feature of the Portuguese non-profit sector in comparison to other countries (Salamon et al., 2012).

While there is no track record of quantitative data on the philanthropic tradition in Portugal, it is now possible to put the country into perspective in terms of the World Giving Index (CAF, 2013). In its last edition, Portugal ranked 71 out of a total of 135 countries, being better placed in terms of donations of money to charity (ranked 60), than in helping strangers (ranked 76) and finally in volunteering time to an organisation (ranked 81), the three components comprising the index. In a first pilot survey by the National Statistics Institute in 2012, 11.5 % of Portuguese people declared they had volunteered, which corresponds to about 1.4 million people doing volunteer work, or 1 % of the GDP (INE, 2013).

The first Civil Code to make reference to the new legal form of 'foundation' was published in 1867 (Franco, 2005) and it was the predecessor of the present Civil Code of 1966. Nevertheless, for decades, this sub-

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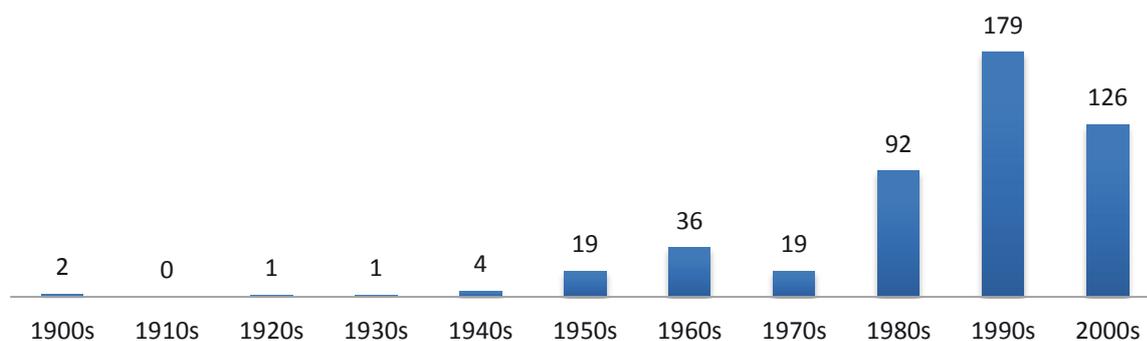
1 The history of the birth of the *Misericórdias* is not consensual. A different version refers only to the monarchy in this inception.

2 A total number of 398 active *Misericórdias* exist today, according to CASES, in <http://www.cases.pt/misericordias/bases-de-dados-de-misericordias>

3 This particular *Misericórdia* is the only one under administrative supervision from the Ministry of Social Security. Present status in <http://dre.pt/pdf1s/2008/12/23400/0862708638.pdf>

sector was not relevant in terms of numbers. In spite of insufficient data to create a precise landscape of the foundation sector in those early years, we know that a number of foundations only started showing signs of vitality in the 1950s. This growth lasted until the 1970s, when it slowed down due to the turbulent process of a country struggling to make the transition to democracy. Of particular note in the foundation world was the growth of the number of foundations that happened afterwards, during the 1980s and 1990s.

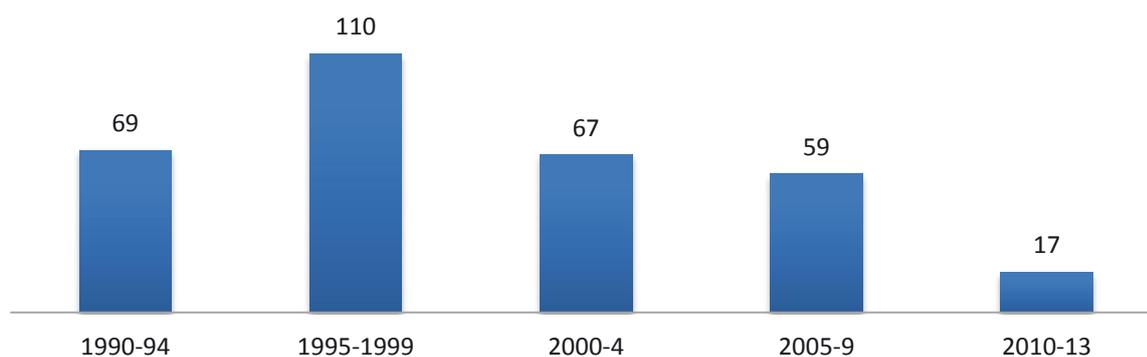
**Figure 1: Number of new foundations in Portugal per decade**



Source: PCM database, 2009, 2013; CPF, 1996, 2004

The 1990s were especially rich in terms of the creation of new foundations, particularly during the last 5 years of the decade. Among the reasons for this upsurge in the number of foundations might be the opportunistic use of the foundation’s legal status juridical form to establish public entities that would then remain outside the State budget and therefore be free from the usual obligations of public institutions in terms of hiring personnel and service adjudication. Another reason might be the growing awareness, in certain circles, of the practice of official approval for new foundations without sufficient patrimony, which was and is not in accordance with the law, but which has given rise to a set of foundations depending on public funds from their inception. Finally, another reason for the growth of the number of foundations during this particular period might have been the exploration of fiscal advantages, namely from companies, together with the opportunity for them to develop social and health-related goals in line with the emerging concept of corporate social responsibility.

**Figure 2: Number of new foundations in Portugal per five-year period, 1990-2013**



Source: PCM database, 2009, 2013; CPF, 1996, 2004

From the 2000s onwards, the number of new foundations has been diminishing, with a considerable drop in the last 4 years. A census and evaluation process targeting foundations and undertaken by the Portuguese government in 2012, partly triggered by the financial European crisis and the government's desire to cut State budget expenses, and probably guided by the results of an audit in 2010 undertaken by the Court of Auditors – Portugal (2010), was certainly among the reasons for this slowdown in the growth of the foundation sector. Public opinion's negative perception of foundations, partly a result of this evaluation process, may also have emerged as a dissuasive argument against the creation of new foundations in the last couple of years.

## 1.2 Legal and fiscal framework

At a European level, the legal status of foundations is a result of the national laws of each member state, as a European statute for foundations does not yet exist. This statute for a European Foundation could give rise to many benefits for the European Union (Vilar and Gonçalves, 2008) and for the field of R&I, as will be mentioned later.

The first legal framework for foundations to be considered in Portugal is the Civil Code. In the present Civil Code, the subject of 'foundations' is dealt with in Chapter 2 about Collective Persons, mostly in Section III. In this chapter, a Foundation is clearly identified as having to be of 'social interest,' which means that under the Portuguese legal framework it is not possible to create foundations with private interests. A foundation can be created either by the actions of living people or through a will, being necessary an official recognition of its goods.

A recent relevant framework for these institutions is the Foundations' 'Lei Quadro,'<sup>[4]</sup> approved in 2012 by Law n. 24 on 9 July.<sup>[5]</sup> This law, besides approving the 'Lei-Quadro,' introduced changes to the Civil Code. Among these was the obligation that the foundation statutes designate not only an administrative board (art. 162 Civil Code - CC), but also a supervisory board; transparency requisites were imposed concerning, for instance, statutes, annual reports and accounts, as well as supervisory board statements (arts 166, 185 CC). Also included were the clarification of the three main reasons for the denial of a recognition request (art. 188 CC); the conditions for the broadening of a foundation's scope through the initiative of an officially recognised entity (art. 190 CC); and the conditions for the merging of foundations (art. 190a CC).

The 'Lei-Quadro' clarifies the types of foundation recognised in Portugal:

- Private Foundations: the foundations created by one or more legal persons of Private Law, with or without public legal persons, if the latter, separately or together, do not detain a dominant influence over the new foundation. In this set of foundations, three special regimes are considered: Social Wel-

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4 Lei nº 24/2012, 9.7 / Law n. 24/2012, *Lei Quadro das Fundações* / Foundations Law.

5 Another recent relevant law is the Basis Law for the Social Economy – Law n. 30/2013, 8.5.

fare Foundations <sup>[6]</sup>, Cooperation for Development Foundations <sup>[7]</sup> and Foundations for the creation of private higher education establishments. <sup>[8]</sup>

- Public Foundations under Public Law: the foundations created exclusively by public legal persons, as well as funds created exclusively by public legal persons in the terms defined in the law of public institutes.
- Public Foundations under Private Law: the foundations created by one or more public legal persons, separately or together with private law legal persons, if the first, isolated or together, hold a dominant influence in the new foundation. Under the ‘Lei-Quadro’ new public foundations under private law cannot be created.

This ‘Lei-Quadro’ does not apply, among others, to public higher education institutions that are foundations, or to the Science and Technology Foundation (FCT), <sup>[9]</sup> which is a Public Institution created by a specific Law Decree. Foundations created by religious organisations are to be regulated by the Law of Religious Freedom <sup>[10]</sup> and the *Concordata* <sup>[11]</sup> between the Portuguese Republic and the Holy Faith.

When in its project phase, the ‘Lei Quadro’ was highly controversial, and the sector had the chance to put forward its points of view, namely in a hearing in a Parliamentary Commission (CPF, 2012). The dialogue with this sector resulted in some changes to the final content of the Law. An especially controversial innovation introduced by this Law was the obligation that foundations ask for a renewal of their public utility statute every 5 years, an obligation not imposed on any other type of non-profit institutions. Approved in 2012, the Law introduced, among many other things, the obligation that foundations approve and make public their codes of conduct (art. 7 ‘Lei Quadro’ - LQ), several disclosure duties (art. 9 LQ) and the limitations to their expenses (art. 10 LQ). The Law also demanded that foundations adjust their statutes to the new legal regime. The ‘Lei Quadro’ established the definition of a foundation: a legal person that is not-for-profit, that holds sufficient patrimony, and that is irrevocably allocated to the prosecution of a social interest (art. 3. n.1 - LQ). The social interest is outlined in the number that follows, within the same article. <sup>[12]</sup>

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6 *Fundações de Solidariedade Social*, belonging to the set of organisations holding IPSS status – *Instituições Particulares de Solidariedade Social* (Private Institutions of Social Welfare), Law Decree n. 119/1983, 25.02.

7 *Fundações de Cooperação para o Desenvolvimento*, regulated by the Statute of Non-Governmental Organisations, defined by the Law n. 66/98, 14.10.

8 These ‘*Regimes Especiais*’ (‘Special Regimes’) are included in a specific chapter (chapter II) of the ‘Lei-Quadro’ that deals with specific types of foundation that already have specific legislations determining their creation and functioning. It is not intended as a limitation to the scope of activity of Portuguese foundations.

9 *Fundação para a Ciência e a Tecnologia* is a very relevant institution in the field of Research and Development in Portugal ([http://www.fct.pt/documentos/Lei\\_Organica\\_2013.pdf](http://www.fct.pt/documentos/Lei_Organica_2013.pdf)). It is a public institution involved in the indirect administration of the State, and having administrative and financial autonomy as well as its own property. It fulfils roles given by the Ministry of Education and Science.

10 Law n. 16/2001, 22.06.

11 Articles n. 10 and the following.

12 Some examples, with no specific criteria of choice: assistance to people with learning disabilities, assistance to victims of violence, poverty prevention and eradication, cultural promotion etc.

Concerning the fiscal duties of foundations, there is no specific legal framework in Portugal, and the fiscal conditions are not uniform - for instance, there are some foundations with a public utility statute and others that do not have one. Foundations come under the concept of 'Passive Subject of Tax on the Collective Income.'<sup>[13]</sup> Foundations that are granted the status of 'public utility',<sup>[14]</sup> defined in the 'Lei-Quadro' (art 24. LQ), hold it for five years (after which a new request must be submitted); according to the Tax Code for the Income of Collective Persons<sup>[15]</sup> (art 10. CIRC), and after requesting from and subsequent approval by the Ministry of Finance, they can benefit from corporate income tax exemption. Foundations can also benefit from other fiscal exemptions under the Statute of Fiscal Benefits,<sup>[16]</sup> or other legal clauses.<sup>[17]</sup> With regard to donors, tax deductions exist and are regulated by the Statute of Fiscal Benefits.<sup>[18]</sup>

### 1.3 The foundation landscape

At present, it is estimated that the total number of Portuguese foundations is around 800 (Portuguese government, 2012). These include civil foundations<sup>[19]</sup> as well as foundations created under the *Concordata* and Canon Law, the former representing around 75 % of the total.<sup>[20]</sup>

The only official database publicly available is from the General Secretary of the Council of Ministers Presidency,<sup>[21]</sup> which contains the denominations together with the legal diploma references and dates of recognition, listing more than 500 foundations. From a census<sup>[22]</sup> which the Portuguese government did on the population of foundations in 2012, a total of 558 responses were received. It was in the aftermath of this census, which was not without controversy due to, among other things, the subsequent evaluation criteria, that the government issued a Resolution<sup>[23]</sup> which contained decisions on cutting back financial support from the State for specific listed foundations, together with foundations that were to lose their

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13 *Sujeito passivo de Imposto sobre o Rendimento Coletivo.*

14 The designation of 'public utility' can be attributed to private collective bodies – associations or foundations – that pursue non-profit aims of general interest and which cooperate with the central or local administration, in a way to earn that designation - Regulated by the Law Decree n. 460/77, 7.11.

15 *Código do IRC.*

16 *Estatuto dos Benefícios Fiscais* (EBF), last updated by Law n. 83-C/2013, 31.12. For instance, concerning real estate used for the purposes of a foundation's activities (art. 44 of the EBF: exemptions on IMI – *Imposto Municipal sobre Imóveis* / Municipal Tax on Real Estate).

17 Eg. *Imposto de Selo* / Stamp Tax, art 6. Stamp Tax Code; *IVA – Imposto sobre Valor Acrescentado* / Value Added Tax (VAT), Chapter II VAT Code; *IMT - Imposto sobre Transmissões de Imóveis* / Tax on Real Estate Transactions (TRET), art. 6 TRET Code.

18 *Estatuto dos Benefícios Fiscais*, Chapter X.

19 Foundations created under Civil Law and not Canon Law.

20 CPF interview.

21 *Secretaria Geral da Presidência do Conselho de Ministros* database, found in: <http://www2.sg.pcm.gov.pt/geupf/FullAccess/ListaEntidades.aspx?ReqType=2>

22 Integrated in the *Plano de Redução e Melhoria da Administração Central* (PRE-MAC) – Plan of Reduction and Central Administration Improvement, and was aimed at 'evaluating the cost-benefit and financial feasibility and decide about its maintenance or extinction, about the continuity, reduction or cessation of financial support, as well as about the maintenance of the public utility status'. (Law n.1/2012, 3rd of January).

23 *Resolução do Conselho de Ministros*, 79A/2012, 25 de Setembro / Council of Ministers Resolution, 79A/2012, 25.09.

public utility status, foundations that were to be dissolved and others whose dissolution was recommended.

The umbrella organisation for foundations is the Portuguese Foundations Centre <sup>[24]</sup> (CPF), created in 1993 as a private association, which currently represents 150 foundations. The Centre was created on the initiative of the *Eng. António de Almeida Foundation*, the Calouste Gulbenkian Foundation and the Oriente Foundation, as a response to the need for a platform that would work as a unique interlocutor with the State and other civil society organisations. Within the scope of its international relations, the CPF has a cooperation agreement with the Asociación Española de Fundaciones, and a close relationship with the European Foundation Centre (EFC), the Donors and Foundations Networks in Europe (DAFNE) and the Worldwide Initiatives for Grantmaker Support (WINGS).

In the absence of a complete and detailed database of foundations, it is nevertheless possible to understand that the sphere of Portuguese foundations constitutes a small number of large foundations, a considerable number of medium foundations and a very large number of small foundations. A large proportion of the existing foundations are social welfare organisations – estimated to be over 200. The Calouste Gulbenkian Foundation, established in 1956, <sup>[25]</sup> stands out among Portuguese foundations, with total assets of EUR 3 131 756 000 and total expenses of EUR 111 663 427 in 2012.

Portuguese foundations are devoted to areas such as science, culture, education, social welfare and so on. In Portugal, the field of Research and Innovation (R&I) in the foundation sector is not organised as such, and no umbrella organisation exists to represent those specific foundations. R&I can be part of or the only grant-giving or award-giving activities of small, medium or large foundations, or part of the operations of unusually large foundations.

For the relevance of their activities in the field of R&I, two foundations that are the only ones integrated into the official organogram of the National System of Innovation (FCT, 2013), will be introduced here with regard to their R&I-related activities – the Calouste Gulbenkian and Champalimaud Foundations. During the decades of dictatorship, the role of the Calouste Gulbenkian Foundation was fundamental in the education and development of scientists through scholarships for study abroad, and in providing grants for the acquisition of health equipment by public hospitals. Gulbenkian is also an operating research foundation through the *Instituto Gulbenkian de Ciência* (IGC), created in 1961 as a non-university multidisciplinary research centre. The Champalimaud Foundation, created in 2005, elected three areas of activity in research and research support – neuroscience, oncology and blindness prevention – the latter with an annual prize of EUR 1 000 000 for cutting edge research and prevention programs.

## 1.4 Research/innovation funding in Portugal

According to the European Commission's country profile on Research and Innovation performance (2013), 'Portugal has expanded its research and innovation system over the last decade, increasing its investment

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24 *Centro Português de Fundações.*

25 Foundation created by the Law Decree n. 40690, 18.7.1956.

in research at a remarkable average annual growth rate of 7 % between 2000 and 2007. However, the R&D intensity in Portugal decreased by an average of 0.16 % from 2008 to 2011.'

Between 2001 and 2012, <sup>[26]</sup> Portuguese expenses in Research and Development (R&D) as a percentage of the GDP almost doubled, rising from 0.77 % to 1.5 % (DGEEC, 2013), which is nevertheless still half the European 2020 target of 3 %. In 2011, the total expenditure on R&D in Portugal at current prices was EUR 2 606 130 000 and provisional data points to a small decrease in 2012, down to EUR 2 468 886 000€. Portugal is close to countries like Spain, the United Kingdom and Norway (Eurostat, 2012, R&D map), and is among the group of countries that have not yet been able to recover to pre-2009 levels (OECD, 2012). According to the Innovation Union Scoreboard classification, Portugal is a 'Moderate Innovator,' which means that its performance is below the EU average, on a par with Croatia, the Czech Republic, Greece, Hungary, Italy, Lithuania, Malta, Poland, Slovakia and Spain (European Commission, 2014). Within the group of Moderate Innovators, Italy is the top performer followed by the Czech Republic, which recently overtook Spain and Portugal. Nevertheless, in terms of growth, Portugal is, together with Estonia and Latvia, an innovation growth leader, and in the group of Moderate Innovators Portugal was the one that improved the most. The growth performance of these countries, including Portugal, is driven by strong growth according to specific indicators such as international scientific co-publications, R&D expenditure in the business sector, non-EU doctorate students and PCT patent applications (European Commission, 2014).

The sectors that represent a higher share of Portuguese expenditure on R&D are companies (47 %) and higher education (39 %) (DGEEC, 2013). The company sector has been a more active protagonist in the execution and financing of R&D activities, although its participation is still insufficient. The percentage of companies which are innovative in the service sector is higher than those in the innovation of goods and their introduction onto the market. The Portuguese economy has a profile specialising in low or medium technological intensity (FCT, 2013).

The share of the NPOs (non-profit organisations) in R&D expenditure (0.12 %), which includes private foundations, is low but surpassed the State's (0.11 %) in 2008. In 2012, companies represented 0.7 % of expenditure on R&D while higher education represented 0.58 %, with NPOs and the State showing the lowest levels, with 0.12 % and 0.10 %, respectively. <sup>[27]</sup> It is interesting to note that according to the Eurostat figures, Portugal has the highest levels of NPO expenditure in terms of percentage of GDP out of all the European countries, according to the available disaggregated data. <sup>[28]</sup>

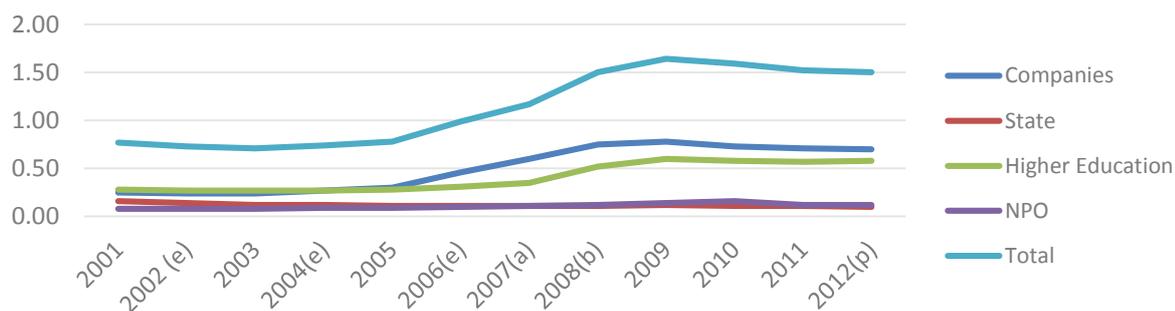
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26 Provisional data for 2012.

27 Provisional data, as shown in Fig. 3.

28 Eurostat Research and Development expenditure by sector of performance, available at: <http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do;jsessionid=9ea7d07e30e5385157baf04f474aac1482fc7796e083.e34MbxSahmMa40LbNiMbxMc300e0?tab=table&plugin=1&pcode=tsc00001&language=en>

**Figure 3: Expenditure on R&D in terms of percentage of GDP according to the sector of execution - 2001-2012(p)**



Source: IPCTN12 – Provisional Results, DGEEC 2013 [29]

The number of researchers in Portugal has substantially risen over the last three decades. In the last decade the number of researchers rose from 17 725 in 2001 to 50 694 in 2012 (FTE). Researchers represent 9.3 % of the active population and are mostly concentrated in the higher education sector (30 185 FTE), followed by companies (12 117 FTE). Portuguese scientific output increased from 1 001 publications in 1990 to 13 897 in 2011. (DGEEC, 2013) The most significant change in the structure of Portuguese scientific output per area (2000-2010) in terms of the number of publications was that Medical Sciences and Health took the first place from the Exact Sciences (FCT, 2013).

A network of R&D units belonging to universities and State-managed autonomous research institutions make up the core of Portugal’s science and technology research output, and these are divided, according to the law, between State laboratories, which have been losing considerable weight in terms of the execution of their activities, other R&D public institutions, private R&D institutions and associated laboratories. [30] According to the FCT, R&D in Portugal is carried out mostly by research units and associated laboratories. [31] R&D units are public or private non-profit institutions dedicated to scientific research and technological development and there are 293 registered in the FCT. Associated laboratories are R&D institutions (public or private non-profit) selected for their characteristics, which cooperate in the prosecution of a specific aim of governmental policy in the area of science and technology, and which are consulted on the definition of the programs and instruments of that policy. There were 26 associated laboratories in 2008.

There is no specific organisation for foundations operating in the field of R&D. The number of foundations operating in this field or financing it is relatively small, which is, in any case, consistent with the small dimensions of the whole foundation sector.

29 Notes on the graph: NPO – Non-profit Organisations; (a) In 2007 there was a first ‘breakdown of the series’, due to the enlargement and improvement of administrative sources; (b) In 2008 there was a second ‘breakdown of the series’ due to the articulation by the IPCTN with REBIDES; the numbers include not only R&D carried out by teachers but also students doing PhDs and Masters theses; (e) estimated values; (p) provisional data.

30 Juridical Regime of Scientific Research Institutions, Law Decree n. 127/99, 20.04.

31 Yet not including funds from the European Framework Program, started in 2014 and still under negotiation. (<http://www.fct.pt/apoios/unidades/>)

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

In Portugal there was and is no public list on R&I foundations. The only publicly available database of foundations intends to cover the whole sector and is the one provided online by the previously mentioned General Secretary of the Council of Ministers Presidency.<sup>[32]</sup> In this list, information is limited to the name of the foundation, its date of recognition, the respective legal diploma and status (extinct, non-recognised, pending, archived and recognised). On 16 March 2013, this list consisted of 539 foundations.<sup>[33]</sup> From this, those classified as ‘extinct’ and ‘non-recognised’ were taken off, resulting in a list of 452 foundations. The next task was to complete this information with data about the mission and the objectives of every foundation listed, as well as their contact details. Besides the Internet, the following other sources were used to complete the information on each foundation and to add ‘new’ foundations: individual reports produced during the evaluation process done by the Government in 2012; the database of the members of the CPF (covering about a quarter of the sector); and the database produced by the *Eng. António de Almeida Foundation*, also available online.

Following their evaluation of the foundations, the Portuguese Government dissolved a few of them, and recommended the dissolution of some others, a decision in some cases highly contested by those concerned, which led to a few eliminations from our database while this process was taking place.

A further process of elimination on the database was then undertaken, first to eliminate those foundations on which there was no information available about their purpose and whose contact details resulted in no actual contact, and finally to extract the ones dedicated to R&I, which would be our object of study. The database produced for a previous study, FOREMAP,<sup>[34]</sup> was always present in order to confirm no R&I foundation was left out of the study. In FOREMAP a snowball strategy had been undertaken, as information on foundations back then was even scarcer than nowadays.

Eventually, a group of 87 R&I foundations was selected for the survey, using the above approach to pro-

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32 This *Secretaria* has a mission to guarantee and coordinate the juridical, informative, technical and administrative support to the Presidency of the Council of Ministers (PCM), and also to guarantee the functions of inspection and auditing through the appreciation of the legality and regularity of the acts practised by the PCM services and entities, or to be subject to the tutelage of the Government members integrated in the PCM, as well as to evaluate its management and results.

33 Considerably fewer than the 800 foundations estimated to exist in Portugal – for instance in the Evaluation Report issued in 2012 (Governo de Portugal, 2012), although it was also acknowledged that there were many with no activity, which was advanced as a justification for the non-participation of around 200 foundations in the census (558 answered the survey, 401 were evaluable, but some were not within the focus of this census – those with IPSS status attributed to social welfare organisations under certain conditions – and finally 190 were evaluated).

34 The Foremap (FOundations REsearch and MAPping) Project was the first attempt to systematically document the foundations’ contribution to research in Europe (EFC, 2009).

duce the most complete set possible, and according to the information available. It was admitted as a possibility that a few foundations would be self-eliminated when responding to the survey, as in some cases their inclusion in the dataset arose from a wide interpretation of the mission communicated by the foundation, and therefore R&I, although one possible field of intervention, did not materialise in practice.

## 2.2 The survey

A total of 87 foundations received an invitation to participate in the survey, 71 <sup>[35]</sup> by email and 16 by ordinary mail. In both cases, letter and email, a letter of endorsement written by Prof. João Caraça from the Calouste Gulbenkian Foundation <sup>[36]</sup> was attached. In order to increase the response rate, first email reminders were sent and telephone calls were made, and finally a shorter version of the questionnaire was sent by email.

A total of 28 foundations started the questionnaire online. Of these, 1 quit immediately at the start and 7 responded negatively to the question 'support/operate in R&I'. In the end 20 foundations' sets of answers were analysed. <sup>[37]</sup> <sup>[38]</sup>

## 2.3 The interviews

The CPF was an essential source of information for this work, with a major interview conducted with its Secretary General <sup>[39]</sup> and several information exchanges afterwards, in order for a clear understanding of the field of R&I in the domain of the Portuguese foundation sector activity. The main subjects covered were: origins of funds and the role of the State/EU, different roles for different players, partnerships, activities abroad and prominent practices.

The group of foundations supporting R&I in Portugal in a significant way is relatively small but is comprised of very large and impactful foundations. All large Portuguese foundations disclose a lot of information, which was very relevant for this study. Nevertheless, two major interviews with two important players were conducted for a deeper understanding of a few issues. The first one was in the Calouste Gulbenkian Foundation, with the Director of the Paris Delegation, former Director of the Science Service in the Gulbenkian Foundation. <sup>[40]</sup> Gulbenkian is unavoidable in such a study, given its dimensions, translated here as 75 % of the reported expenses, 48 % of the reported expenses in research, 44 % of the reported expenses in research and innovation, 91 % of the total reported income and 73 % of the reported assets. The other interview was conducted in the Luso-American Foundation (FLAD), with the Director of Science, Technology and Innovation and of Transatlantic Relations and Public Policy, and the Director of Culture and

35 One of these was eliminated afterwards when it was clear its nationality was not Portuguese.

36 Former Director of the Gulbenkian Science Service and presently Director of the Paris Delegation of the foundation.

37 One of these answered just one question.

38 In Foremap, a snowball strategy was used and 12 foundations were studied. In the present study, a different strategy was adopted because more reliable information was expected due to the census and evaluation process in 2012. A longer list was produced but the set of foundations answering was only slightly higher (from 12 to 20).

39 Mário Curveira Santos.

40 João Caraça.

Art. FLAD is the next oldest foundation after the top five in terms of expenses in R&I and is an interesting case of an entity pushing for research and innovation in Portugal, facilitating links with top US research centres and universities since the 1980s. For both foundations, the most relevant topics covered were: the historical background of the foundation; the foundation today – present and recent past support for R&I and the reasons, impact evaluation, specific practices, success stories and the roles played by the foundation; future perspectives on the support of R&I; the origins of funds and the role of the State/EU; different roles for different players; partnerships; activities abroad and prominent practices.

A recent diagnosis of the Research and Innovation System in Portugal was also a relevant source of information for the state of R&I in Portugal, where the public sphere plays a very relevant role.

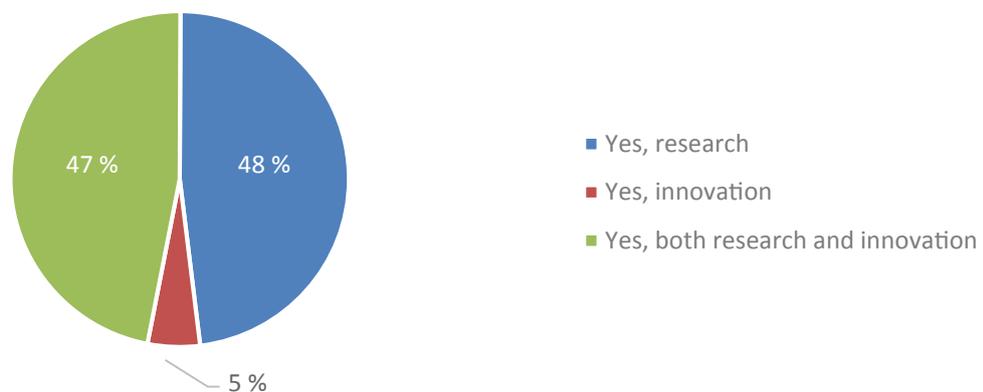
# 3 Results

## 3.1 Types of foundation

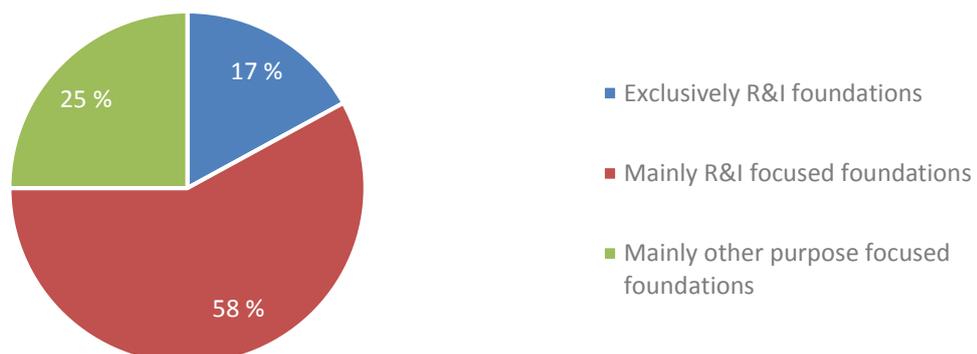
In Portugal, the field of R&I is mostly dominated by companies and higher education. Research units and associated laboratories undertake most of the scientific research in Portugal, most of them being hosted by universities. Foundations fit in the NPO (non-profit) share of R&D presented before, which means they play a small role in comparison to other players. Nevertheless, this role is highly relevant for the people and projects they support, and taking into consideration the sample of foundations taken in Portugal, we are looking at almost 50 million Euros in expenses in R&I. Most foundations surveyed support research or both research and innovation, but they do it as a main but not exclusive focus.

The role played in the field of R&D is mostly of an operating nature for the majority of the foundations who answered, while 'grant-making' and 'both grant-making and operating' make up a similar percentage.

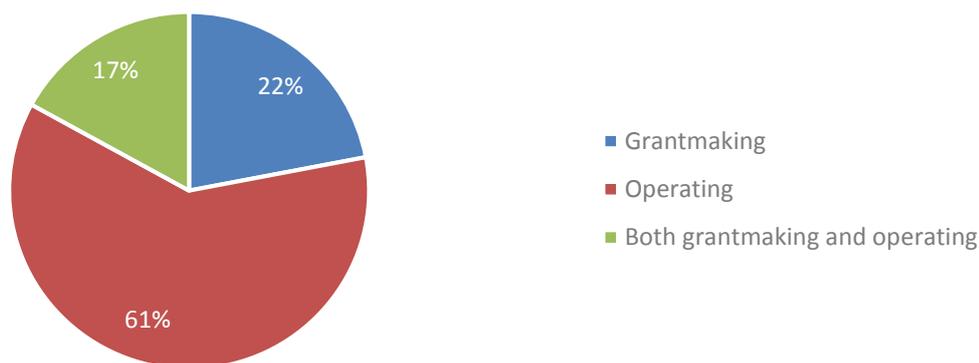
**Figure 4: Types of foundation according to research and/or innovation**  
As a percentage of the total number of foundations (N=19)



**Figure 5: Types of foundation according to purpose**  
As a percentage of the total number of foundations (N=12)

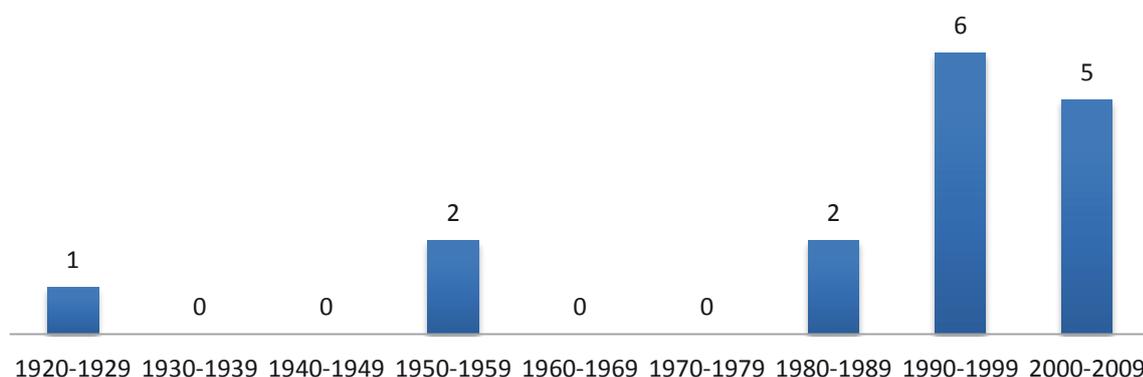


**Figure 6: Types of foundation: grant-making versus operating**  
As a percentage of the total number of foundations (N=18)



The sample of foundations is comprised mostly of recent or very recent foundations, with the exception of two created before the 1960s.

**Figure 7: Types of foundation according to the year of establishment**  
Number of foundations by decade (N=16)



It is important to note that the foundations we surveyed are private foundations, but R&D&I in Portugal is mostly supported by a very relevant public institution already mentioned in 1.2, which although it contains the name ‘foundation’ in its title, is really a public institution – the Fundação para a Ciência e Tecnologia (FCT). <sup>[41]</sup> <sup>[42]</sup>

## 3.2 Origins of funds

### 3.2.1 Financial founders

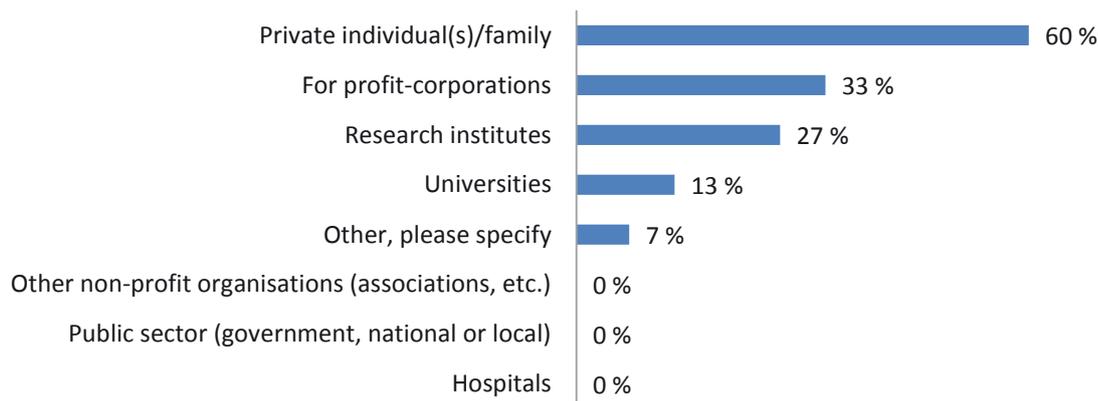
The financial founders of most foundations surveyed were individuals or families, but corporations are also present in significant numbers. The categories with null responses were intentionally included to highlight a reality that has no expression in the country. As mentioned in the context chapter (point 1.2) the ‘Lei-Quadro’ prohibits the creation of new public foundations under private law, a type of institution that, although not depicted in these results, still exists.

41 [http://www.fct.pt/documentos/Lei\\_Organica\\_2013.pdf](http://www.fct.pt/documentos/Lei_Organica_2013.pdf)

42 With a budget of around EUR 463 million in 2014 (<https://www.fct.pt/fct/>)

### Figure 8: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=15)



### 3.2.2 Income

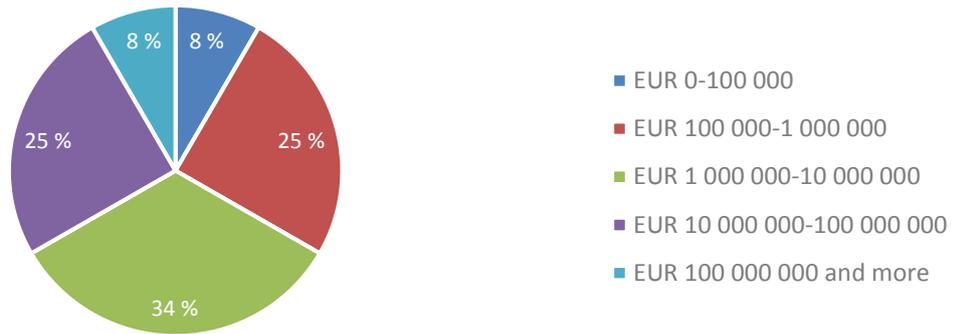
The diversity of foundations in terms of income is evident in the ranking we obtained, topped by the Calouste Gulbenkian Foundation with EUR 742 million, and followed by Champalimaud, with 22 times less than that amount. These are two very different foundations, although both play a relevant role in the field of R&D in Portugal and abroad. The Gulbenkian Foundation was established in 1956, and in accordance with the will of Calouste Sarkis Gulbenkian, a rich Armenian businessman who fell in love with Lisbon when fleeing the war, it was created with four statutory aims that remain to the present day – Art, Beneficence, Science and Education. Science has therefore been at the heart of the Gulbenkian Foundation since its inception, and while in the beginning this was mostly a grant-making activity, through grants for the acquisition of health equipment and scholarships for graduate studies abroad, in 1961 the foundation founded the Gulbenkian Science Institute (IGC).<sup>[43]</sup> First with a wide scope of activity, the IGC more recently narrowed down its aims to four main fields of research in the area of Biology.<sup>[44]</sup> The Institute secures 70 % of its budget through competitive grant awards from national and international, public and private funding agencies. The IGC researchers have been able to guarantee 300 grants since 2004, through institutions such as the FCT (206) and the EU Framework Programmes (53), totalling EUR 6.77 million in 2012 (including awards – FCG, 2013). For many years the Gulbenkian Foundation had a Science Service, a department devoted mainly to the dissemination of science. Presently, the scientific field in the Gulbenkian Foundation has, in addition to the IGC, two other main areas of intervention, or programs, somewhat connected with science – Innovating in Health, and Educating for Culture and Science. The Gulbenkian and Champalimaud foundations have been collaborating since the latter was created in 2005: for five years the IGC incorporated the Champalimaud Institute until 2012, promoter of the Champalimaud Neuroscience Program, one of the main units in the Champalimaud Foundation.

43 Instituto Gulbenkian de Ciência.

44 Cell & Developmental Biology, Quantitative Biology, Immunobiology and Evolutionary Biology (IGC, 2013).

**Figure 9: Total income according to category in Euros, 2012**

As a percentage of the total number of foundations (N=12)

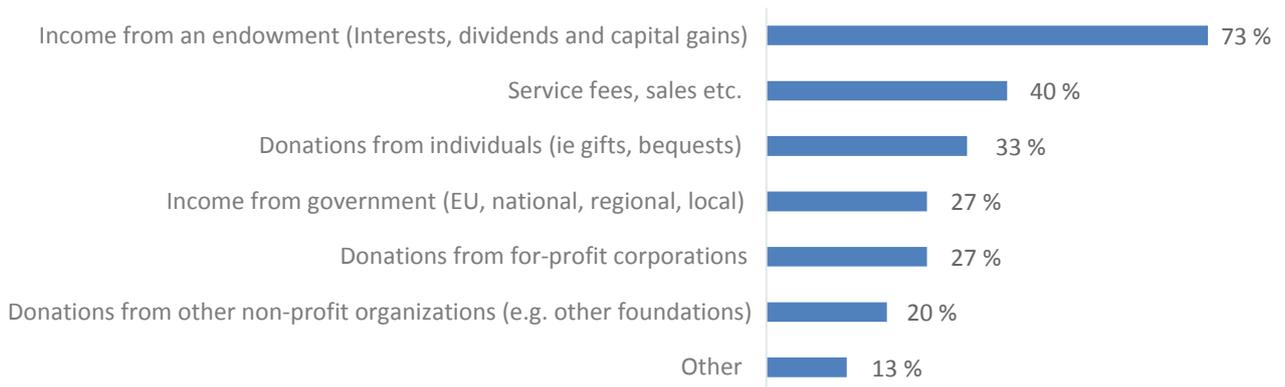


Statistics on income	
Number of foundations	12
Mean in Euros	68 154 058
Median in Euros	3 643 432
Total Income in Euros	817 848 696
Total without Calouste Gulbenkian Foundation	75 848 696

The income from endowments is a source of income for the majority of the foundations surveyed, followed in smaller numbers by service fees and sales, and donations from individuals. Money is by far the most common source of the original endowment, followed by property.

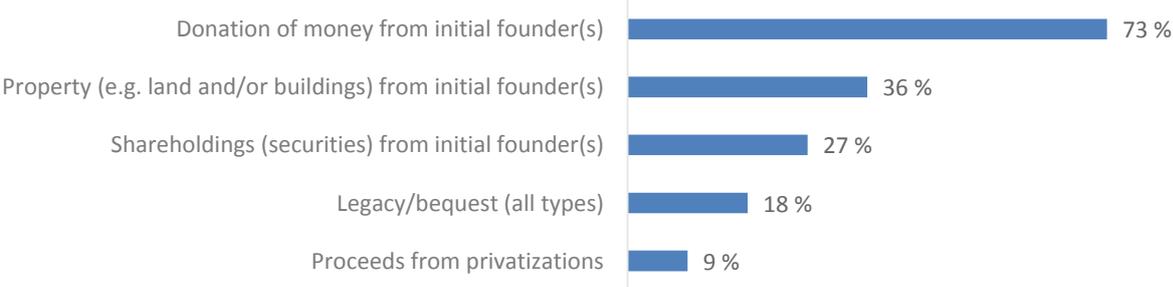
**Figure 10: Sources of income**

As a percentage of the total number of foundations, multiple answers possible (N=15)



**Figure 11: Sources of the original endowment**

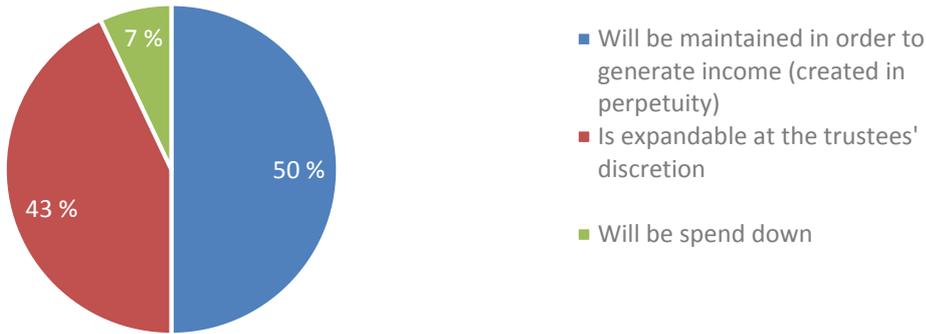
Number of foundations per source (N=11)



In spite of the financial crisis, half the foundations stated that their endowments would be maintained, while most of the others would expand them at the trustees' discretion. Only one foundation planned to cut back its endowment.

**Figure 12: Future perspectives on endowments**

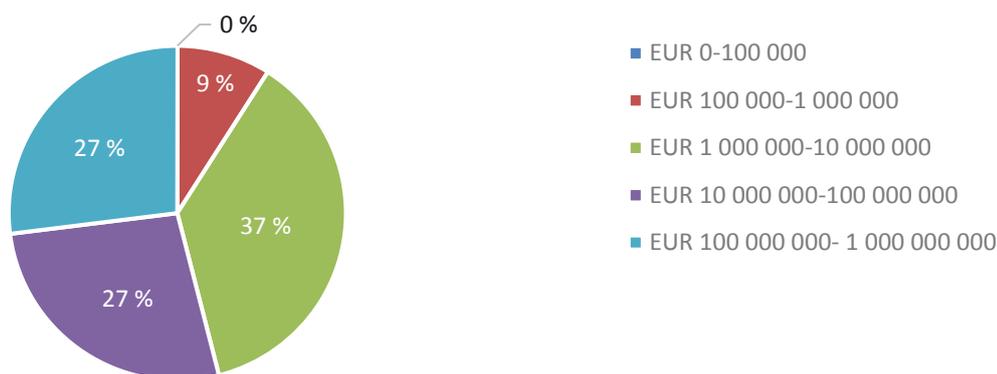
As a percentage of the total number of foundations (N=14)



### 3.2.3 Assets

The answers on the total assets reinforced the diversity within the group of foundations who responded. Once again the Gulbenkian Foundation stands out as the biggest foundation, with total assets of EUR 3.131 billion followed by Champalimaud with EUR 647 million; the 11 respondent foundations are responsible for EUR 3.997 billion of total assets.

**Figure 13: Total assets according to category in Euros, 2012**  
As a percentage of the total number of foundations (N=11)



Statistics on assets	
Number of foundations	11
Mean in Euros	363 391 755
Median in Euros	10 000 000
Total assets in Euros	3 997 309 303
Total without Calouste Gulbenkian Foundation	865 553 303

Among the foundations disclosing information on the types of asset (n=9), all specified their current assets as being their total assets. In seven of the cases, the amount of current assets was superior to the other types of asset mentioned. Four foundations mentioned their fixed assets as another component, with values of between 10 % and 90 %. Another three foundations mentioned other types of fund, from the small amount of 0.34 % and up to 46 %. The two foundations that have long-term investment in securities, disclosed a high percentage in those, 89 % and 90 %; one of them being a small foundation and the other a large foundation (ranking 3rd in terms of total assets and 4th in terms of total income).

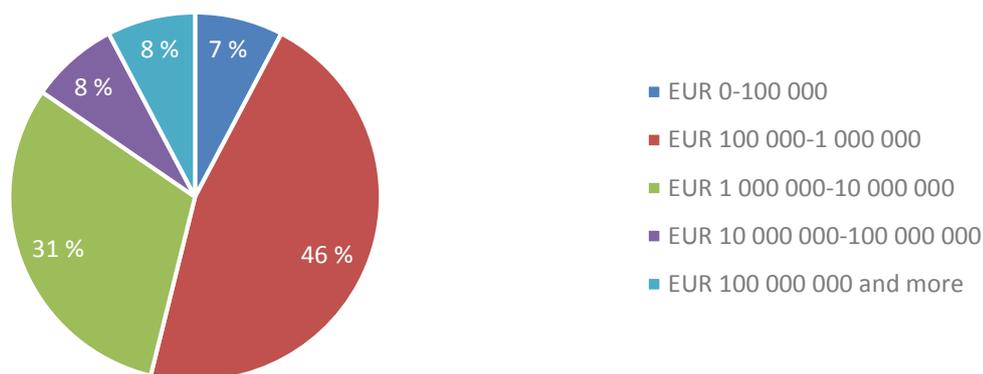
## 3.3 Expenditure

### 3.3.1 Total expenditure

The expenditure of the answering foundations totalled more than EUR 149 million, with an average of 22 % going to research and 11 % to innovation. Once again, the Gulbenkian Foundation leads the rankings, with about 75 % of the total reported expenses. Out of these foundations, only two declared higher expenditure on innovation than on research, one of them being the EDP foundation, a corporate foundation investing heavily in social innovation. The value of expenditure on 'other purposes' was 90 % for the Calouste Gulbenkian Foundation.

**Figure 14: Total expenditure according to category in Euros, 2012**

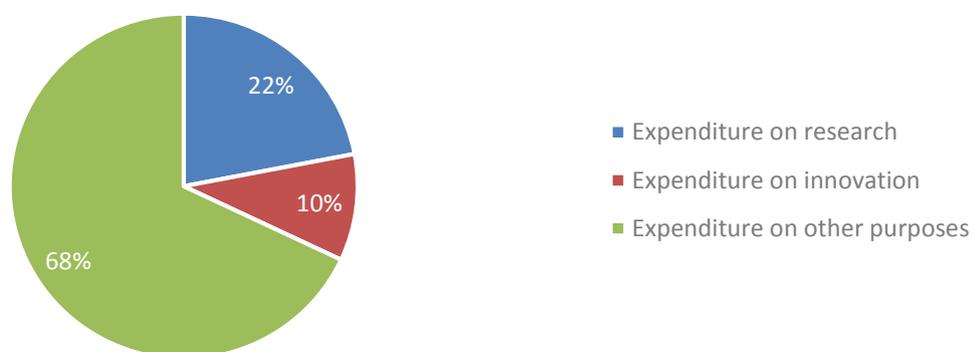
As a percentage of the total number of foundations (N=13)



Statistics on expenditure	
Number of foundations	13
Mean in Euros	13 569 008
Median in Euros	984 503
Total Expenditure in Euros	149 259 086
Total Expenditure without Calouste Gulbenkian Foundation	37 595 659

**Figure 15: Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of the total known expenditure (N=12)



Expenditure	Euros
Research	32 399 904
Innovation	15 717 878
Other purposes	100 607 357
Unknown	533 946
Total Expenditure	149 259 086

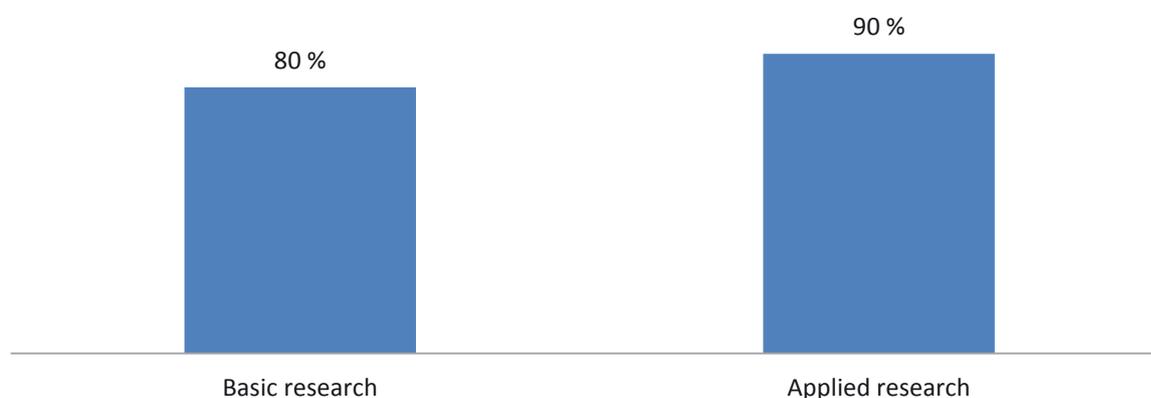
### 3.3.2 Research expenditure

Research expenditure includes expenses in the form of grants and operating costs. Of the seven answering foundations, six declared channelling most of their expenditure (61 % of the total) into grants and three into operating costs (39 % of the total). In terms of the distribution of expenditure between direct and research-related, there is great diversity within a small set of answers.

Distribution of expenditure on research; direct vs research-related	Euros
Direct research (N=8)	21 817 366
Research related (N=8)	5 931 469
Unknown	4 651 070
<b>Total expenditure on research</b>	<b>32 399 904</b>

**Figure 16: Distribution of foundations' expenditure on research; basic vs applied**

As a percentage of the total number of foundations (N=10)



Out of 11 answers on areas of research, ten foundations develop or support applied research and nine develop or support basic research, with a variety of answers.

Distribution of expenditure on research; basic vs applied	Euros	Percentage
Basic research (N=6)	6 557 835	20 %
Applied research (N=6)	7 277 736	22 %
Unknown	18 564 333	57 %
<b>Total expenditure on research</b>	<b>32 399 904</b>	<b>100%</b>

### 3.3.3 Innovation expenditure

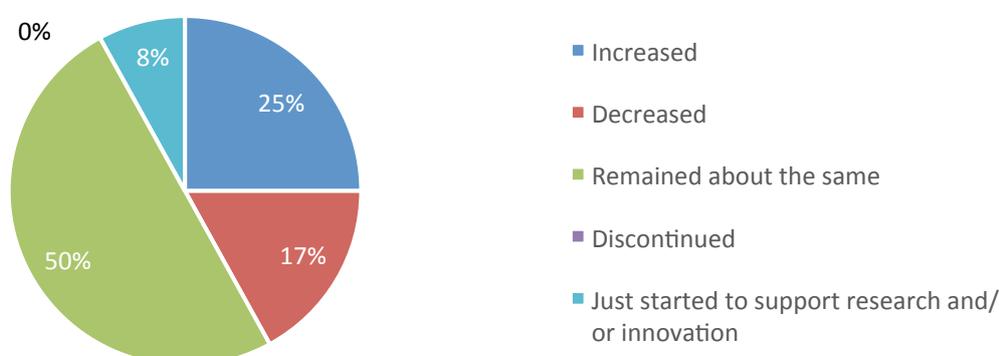
Innovation expenditure can also take the form of grants and operating expenses. Three out of five foundations answered that expenditure on innovation took the form of grants (for one of them 100 %) and four out of five said that it took the form of operating costs (for two of them 100 %). In terms of value, 85 % of expenditure on innovation assumed the form of grants and 15 % their own operating costs.

### 3.3.4 Changes in expenditure

In spite of the economic crisis in Portugal, expenditure on R&I, compared with the previous fiscal year remained about the same for six out of eleven foundations and even increased in three foundations. In the next fiscal year six out of eleven foundations also expected to maintain the same level of expenditure on R&I, and four even considered increasing it.

Foundations have had different strategies for coping with the crisis, from a suspension of their asset allocation on the stock market and an increase in their capacity to generate their own revenue through sales (Champalimaud Foundation, 2013), to a careful control of their costs, to a reinforcement of the financial return on their investments (Gulbenkian Foundation, 2013), to a reduction in their costs as ways of getting the most out of their activities (FLAD interview).

**Figure 17: Changes in expenditure on research and innovation compared to previous year**  
As a percentage of the total number of foundations (N=12)



**Figure 18: Changes in expenditure on research and innovation, expectations for next year**

As a percentage of the total number of foundations (N=12)



## 3.4 Focus of support

### 3.4.1 Beneficiaries

Public higher education institutions received the highest number of affirmative answers concerning the beneficiaries of foundations' support (6/7). Individuals, private higher education institutions and research institutes were the choices that followed with the same number of answers (4/7).

As mentioned in 1.4, researchers are mostly concentrated on the higher education sector, which explains the numbers presented here. FCT is the main funder of the public research sector, and although foundations play a comparatively small role in the funding of R&I, they do it mostly through scholarships and awards.

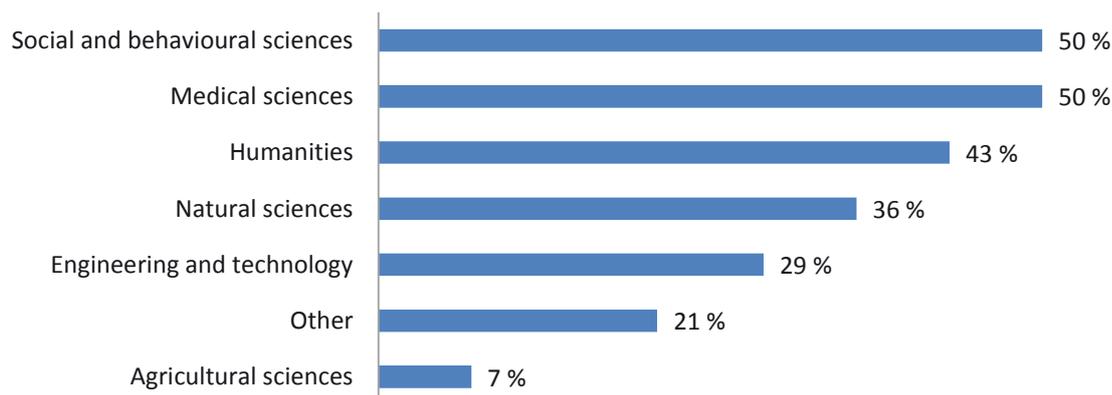
### 3.4.2 Research areas

Medical science emerged as the research area supported by more foundations in the answering group and with the highest percentage in terms of value – 84% of expenditure. This was closely followed by the field of social and behavioural science, and the humanities in terms of the number of answers, but the percentage of expenditure for each was very low and not comparable to what takes place in the field of medical science.

The majority of support for medical science is mainly thanks to the Champalimaud and Calouste Gulbenkian Foundations, which together represent 94 % of the expenditure reported in this field. A contribution to society through ground-breaking medical research was an essential part of the vision of António Champalimaud for the foundation he wanted to be created after his death. Science was one of the statutory aims defined in Calouste Gulbenkian's will, and since the inception of the foundation, medicine has been a priority area of support. Social science and the humanities have more recently emerged as growing areas of support in Portugal, as can be seen in the example of the creation in 2009 of the *Francisco Manuel dos Santos Foundation*, with their commitment to invest in research into Portuguese society and its major problems, and the dissemination of the results as a starting point for discussion in Portuguese civil society. Also, FLAD, which for years strongly supported the traditional sciences, recognised its growing share of support for the social sciences and humanities, which was a result not only of the pressure of demand, or constraints due to diminishing support from public sources, but also of the growing quality of Portuguese universities' research into social sciences.

### Figure 19: Thematic research areas, 2012

As a percentage of the total number of foundations, multiple answers possible (N=14)



Expenditure	Euros
Natural sciences (N=3)	425 500
Engineering and technology (N=2)	309 500
Medical sciences (N=7)	21 034 118
Agricultural sciences (N=2)	150 000
Social and behavioural sciences (N=2)	228 800
Humanities (N=2)	230 700
Other (N=1)	2 600 000
Unknown	7 421 286
<b>Total expenditure on research</b>	<b>32 399 904</b>

### 3.4.3 Research-related activities

Infrastructure and equipment were the research-related activities undertaken by the majority of the answering foundations (6/7), followed by research mobility and career development (5/7) and then technology transfer (4/7).

The relatively high expenditure on technology transfer in this survey was due to the Champalimaud foundation's activities, which in order to complement intense research work in the oncological field, acquired a portfolio of patents that would allow its researchers and medical staff to develop new approaches for premature cancer diagnosis and more precise results for prognosis in each case. <sup>[45]</sup>

45 <http://www.fchampalimaud.org/pt/investigacao/investigacao-oncologica/>

Expenditure	Euros
Research-related activities (N=3)	748 000
Research mobility and career development (N=2)	304 336
Technology transfer (N=3)	1 598 000
Infrastructure and equipment (N=3)	563 894
Dissemination of research (N=1)	432 000
Unknown	2 285 239
<b>Total expenditure on research-related activities</b>	<b>5 931 469</b>

### 3.4.4 Changes in expenditure on research and research-related activities

Of the eleven respondent foundations, only one had changed the scope of the areas it supports, dropping its support for agriculture, in the past five years. Out of the three foundations that answered the challenge of ranking in order of importance (ie. research expenditure) the areas of their support in the past five years, two of them put medical science in first place, two put engineering and technology in second place, and two put natural sciences in third place. Changes in the last five years in research-related activities were minimal.

Out of the options in research-related activities, in the past five years the items that were considered most important (according to the amount of expenditure) were infrastructure and equipment, and technology transfer.

## 3.5 Geographical aspects of the activities

### 3.5.1 Geographical focus

Half of the answering foundations have a national focus, and 57 % of their R&I expenditure was spent on that same level. ‘Local’ or ‘regional’ were the following options, but with fewer choices and representing only 19 % of the total value. The three foundations operating on the European level or internationally admitted having difficulties with intellectual property rights (2) and legal and fiscal barriers (1).

A European Foundation Statute has been a long sought-after juridical framework for foundations operating or wishing to operate across borders within Europe. <sup>[46]</sup> The European Foundation Centre and Dafne have been fighting for its creation, acknowledging that foundations are indeed increasingly working across borders and that a European Statute would provide ‘a simple, optional legal tool to enable foundations to work more easily across Europe’ (EFC, 2013). There are numerous examples justifying its creation <sup>[47]</sup> some of which are relevant to Portuguese foundations. CPF shared during their interview that foundations were already intensively sharing knowledge across borders, but obstacles emerged when they attempted

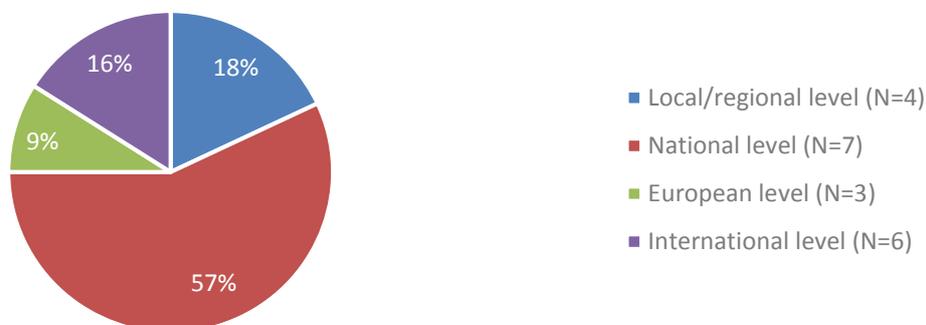
46 Expected in 2014, as in [http://www.efc.be/programmes\\_services/resources/Documents/EFS\\_brochure\\_2012\\_FINAL.pdf](http://www.efc.be/programmes_services/resources/Documents/EFS_brochure_2012_FINAL.pdf)

47 See [http://www.efc.be/programmes\\_services/resources/Documents/TheCasesfortheEFS\\_updated.pdf](http://www.efc.be/programmes_services/resources/Documents/TheCasesfortheEFS_updated.pdf). Also, for a summary of the process undertaken so far in pushing forward this statute see: [http://www.efc.be/programmes\\_services/resources/Documents/2014\\_Fact%20sheet\\_EFS\\_Jan\\_def.pdf](http://www.efc.be/programmes_services/resources/Documents/2014_Fact%20sheet_EFS_Jan_def.pdf) and [http://www.efc.be/programmes\\_services/resources/Documents/2013EFSBriefHistory-Milestones.pdf](http://www.efc.be/programmes_services/resources/Documents/2013EFSBriefHistory-Milestones.pdf)

to implement joint projects, and they would have to face multiple bureaucratic challenges. Challenges also exist in the field of donations: for instance, if someone wants to make a donation to Gulbenkian in France, where it has a delegation, it would not be possible for the donor to benefit fiscally as this foundation is registered only in Portugal.

**Figure 20: Geographical focus of support**

As a percentage of the total (known) expenditure on research and/or innovation (N=10)



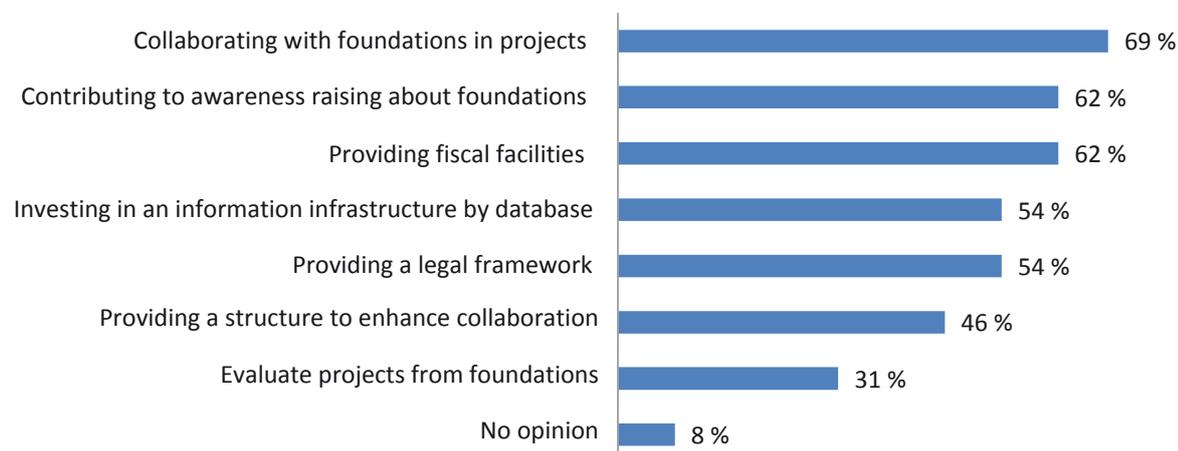
Geographical level	Euros
Local/Regional level (N=4)	6 347 383
National level (N=7)	19 569 413
European level (N=3)	2 939 619
International level (N=6)	5 496 297
Unknown	13 765 070
<b>Total expenditure on R&amp;I</b>	<b>48 117 782</b>

### 3.5.2 The role of the European Union

A total of 13 foundations answered the question about the role of the EU in relation to foundations. Most of the roles suggested in the survey were chosen by more than half the foundations, with ‘collaboration with foundations in projects’ topping their answers.

**Figure 21: Role of the European Union**

As a percentage of the total number of foundations, multiple answers possible (N=13)

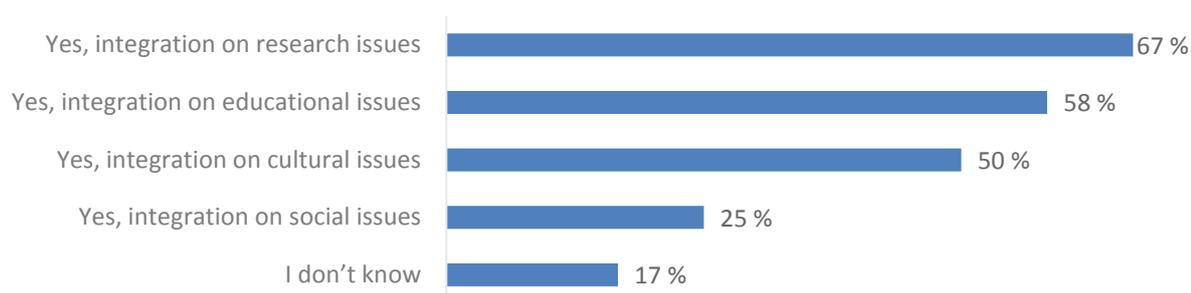


### 3.5.3 Contributions to European integration

The contributions of foundations to European integration are perceived as being specifically for the issues of research and education, followed by cultural issues. It is interesting to note that, although the respondent foundations operate mainly on a national and local level, which corresponds to the reality of the majority of Portuguese foundations, they still consider they contribute to EU integration. This may be due to the fact that Portuguese foundations benefit Portuguese society as a whole in several areas, pushing the country and the Portuguese society up to the EU average and even above average levels, therefore contributing to a deeper integration of the country and its population with the EU.

**Figure 22: Contribution to European integration**

As a percentage of the total number of foundations, multiple answers possible (N=12)



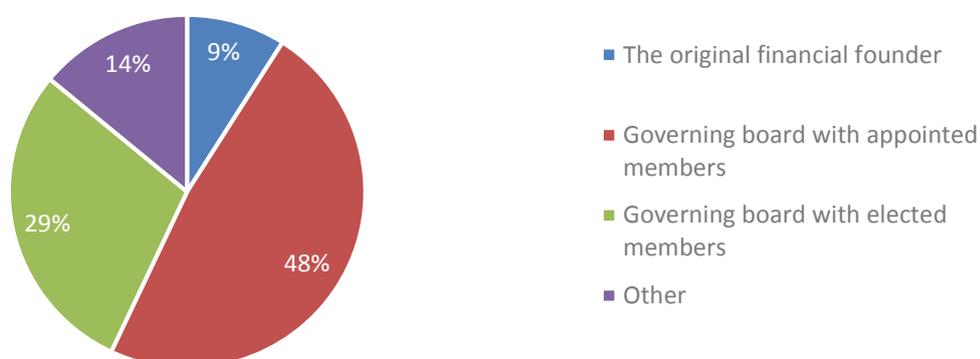
## 3.6 Foundations' operations and practices

### 3.6.1 Management of foundations

A governing board with appointed members is the most common option (48%) in terms of foundations' annual strategy.

**Figure 23: Those defining annual strategy**

As a percentage of the total number of foundations (N=16)



Most foundations have governing boards with three members, followed by those with five members. The number of members on the supervisory board is very diverse, ranging from foundations with three members (in four out of ten foundations) to one foundation with 38 members.

The answering foundations are almost divided in half on the issue of having professional staff. Out of those that do, and that have provided a number for their staff, foundations vary from 33 FTE to 462 FTE employees, with four foundations with four FTE employees or less.

Out of the foundations reporting no professional staff are the award- and grant-giving foundations with a narrow focus, as well as foundations created by other entities that support the daily activities of the foundation. Foundations in Portugal, as mentioned previously, are mostly small and relatively new, as we can see in Figs. 1 and 2 in Chapter 1. These foundations have acknowledged the unavoidable need to develop a clear vision and an adequate and transparent management, together with a commitment to accountability – the census, the subsequent evaluation process and the ‘Lei Quadro’ have all played their roles in making this necessary. The CPF’s commitment to the professionalisation of management in the foundation sector is not new, and in 2013 it created a Competences Centre for the Foundation Sector, in partnership with the universities.

### **3.6.2 How do grant-making foundations support research?**

In terms of foundations’ support for research, evaluation seems to play a relevant role for seven of the answering foundations. Demanding evidence on how grants are spent after the projects have been completed (all answering ‘often/always’), and conducting their own evaluations on whether the grant was successful or not (5/7 answering ‘often/always’, and 2/7 ‘sometimes’) are both common actions. The data gathered for this study were insufficient to support a generalisation of these results for the area we are under analysis. There are signs, though, that a culture of demand for results supported by evaluation is growing in the foundation world. Long-term support, giving ‘small grants to many’ rather than ‘large grants to a few’, and proactively searching for projects are on the next (lower) level in the ranking of importance (5/7 of foundations answering ‘often/always’).

### **3.6.3 Engagement in partnerships**

All the foundations were involved in some kind of partnership, with universities being the most common partner (5/6), followed in equal measure by companies, other non-profits, research institutes and other foundations (3/6).

The main reason for foundations to engage in partnerships is to pool their expertise and/or share their infrastructure (5/6). Creating economies of scale, expanding their activities and increasing their impact were the other reasons mentioned immediately afterwards (4/6).

According to the CPF, partnerships are not a minor issue. A project’s scale often demands greater resources and reality dictates that partnerships become inevitable. Larger foundations have more experience, but even for them managing partnerships tends to be a challenge.

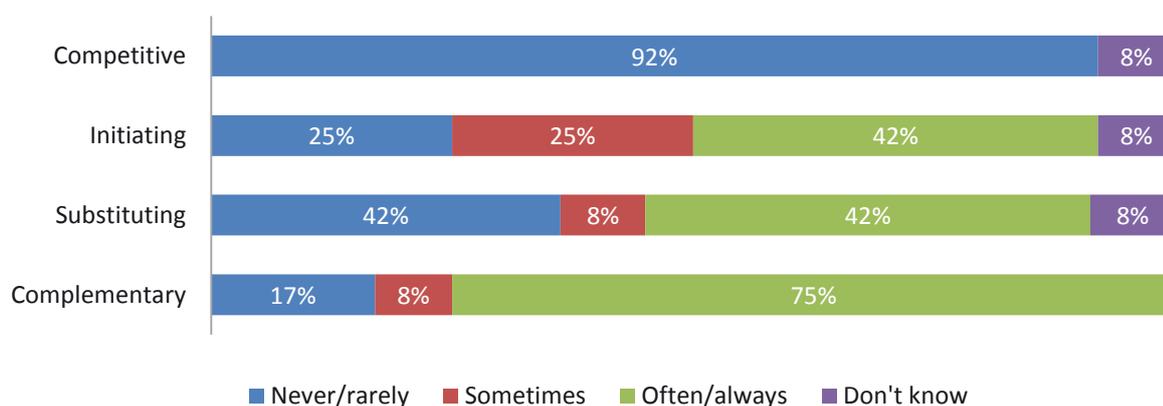
## 3.7 Roles and motivations

### 3.7.1 Roles

Most foundations perceive their role in R&I as being mostly 'complementary' and 'never' or 'almost never' as 'competitive'. Moreover, 'initiating' was admitted by five foundations as being 'almost always' or 'always'.

**Figure 24: Roles of foundations**

As a percentage of the total number of foundations by role (N=12)



### 3.7.2 Motivations <sup>[48]</sup>

As explained by the CPF interviewee, there is a structural aspect in Portuguese foundations' interventions – which is knowledge. Foundations promote the advancement of knowledge through their own activities or by supporting others; *knowledge* in the fields of science, culture, the environment, social relations and so on.

Research and innovation emerges as an area of activity in foundations, either through grants or awards, or through operations, as part of their motivation to promote the advancement of knowledge and to contribute to the development of Portuguese society and/or of humanity. When instituted by a person or family, their motivations are understandably connected to the wills of their founders and contribute in that way to the public good. Using as a reference the top five R&I foundations and two of the lowest in terms of their ranking for expenditure, it is possible to understand what motivates foundations in this field.

In the case of the Calouste Gulbenkian Foundation, 'since its first activities, in the 1950s, the Foundation responded to the most urgent needs of the Portuguese society'. <sup>[49]</sup> This was the period of the foundation's first interventions in several fields: education, scientific research, artistic education, cultural expression, public health and assistance to the most needy. But more recently, and 'with the progressive development of the country, its democratization and integration into the European Community, the role of the foundation was redefined.' The new priorities are not only Portuguese or Lusophones, but global; issues such as intercultural dialogue, migration and mobility, and the environment.

48 This subchapter relies mostly on the interviews conducted and public information (Internet sites, annual reports etc.).

49 [www.gulbenkian.pt](http://www.gulbenkian.pt)

Whereas in the beginning the motivation for R&I was mostly associated with the improvement of Portuguese society, as were the scholarships and grants for PhD and Post Doctoral Studies and the support for public hospitals for the acquisition of equipment, as well as the wider scope of the IGC 's activities, now the motivation for R&I is more focused on global priorities. Consistent with this, is the narrower focus of the IGC at present, and the re-organisation of the foundation (previously organised according to services, including museums) according to programs. These are created within a limited timeframe, and encapsulate a diverse range of activities – from pilot projects, to conferences and training courses, to shows and books editions, and so on. The old Science Service was also part of this restructuration, and integrated into a program with the name of 'Education for Culture and Science', devoted to the development of civil society, with a special but not exclusive focus on younger generations, as a way to improve integration and capacity-building in Portuguese civil society. One mention must be made to another program by the Calouste Gulbenkian Foundation – the Human Development Program. Its main purpose has been to support Portuguese society within the specific context of the economic and financial crisis. Among the projects it has supported are many examples of social innovation pilot projects and other projects, which are not only relevant per se, but also have a symbolic meaning attached to them which definitely is attracting more attention – and actions – in terms of the potential of social innovation in Portugal and the rest of the world. <sup>[50]</sup>

The EDP Foundation is the second foundation on the list of reported expenditure on R&I. This corporate foundation was created in 2004 by *EDP – Energias de Portugal, SA*. Among its strategic purposes are social innovation and science and education related to energy. As a corporate foundation, the choices of paths for the EDP Foundation to follow are ingrained in the business of the corporation behind it. It is one ambition that its business model should integrate social innovation, allowing the building of relationships with the communities it serves. So, in parallel with activities related to the dissemination of science, the EDP Foundation supports the development of social innovation models for the resolution of social problems, mainly through the Social Lab and the EDP Solidária.

The next foundation on the list of rankings for expenditure is Champalimaud. This very new foundation, created nine years ago, one year after the EDP Foundation, is motivated by the promotion of health and the well-being of humanity, actively seeking solutions that alleviate the burden of disease on society and individuals. This has led the foundation in different directions, most of them related to medical research.

The *Francisco Manuel dos Santos* Foundation, founded in 2009, made a breakthrough appearance into the Portuguese foundation landscape with a budget of around EUR 6 million to invest in social research, motivated by the will of its founder to instigate the participation of Portuguese civil society in an active debate on the resolution of the main problems of the country. As a way of attaining this end, the foundation has been supporting carefully designed research projects, publishing publications written by relevant experts in areas of importance for society, thereby disseminating knowledge, and via an innovative infor-

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50 As examples: Arrebita! Porto ([www.arrebita.org](http://www.arrebita.org)) and FAZ – Ideias de Origem Portuguesa ([www.faz.com.pt](http://www.faz.com.pt)), originally a Gulbenkian only project (and Arrebita was a winner in the first edition), now a partnership with the COTEC. Another very good example was the Immigrant Doctors Recognition Project, widely disseminated internationally. An ECCH case study is available at: <http://www.thecasecentre.org/educators/products/view?id=103263>

mation platform on the Internet, Pordata, <sup>[51]</sup> which aggregates quantitative information from different sources (such as the National Statistics Office) and simplifies it, thus making it accessible to the majority of the population.

Last out of the top five foundations in terms of R&I expenditure is the Luso-American Foundation. Created in the mid-eighties (1985) with an initial endowment from the Cooperation and Defense Agreement between Portugal and the United States, and surviving since 1992 exclusively on the income generated by those EUR 85 million, FLAD has as its mission to contribute to the development of Portuguese society. It supports projects that in some way connect Portuguese society with American society. Naturally, since its inception, many research projects undertaken by Portuguese researchers, individuals or in centres, have benefitted from FLAD's support for research to be undertaken in the US.

One of the lowest spenders on the list of rankings for R&I expenditure in this survey is *Fundação Amadeu Dias*, with their pioneering experience of private support for a university – the University of Lisbon. In fact, in Portugal there is no culture of philanthropy as there is in Anglo-Saxon countries. But this was not the case for Amadeu Dias, a recently deceased entrepreneur. The financial protocol, signed for the first time in 2007 and renewed in 2010, included scholarships for Masters' students at until at least 2013, <sup>[52]</sup> and in 2011 two additional protocols were signed – for awards of excellence for the best PhD thesis, and for event and conference support (Petronilho, 2011).

Another smaller foundation in the group in question is the Bial Foundation. Linked to a Portuguese pharmaceutical company with the same name, it was created in 1994 by this company together with the Council of Rectors of the Portuguese Universities. Firmly based on its president's motivation to contribute to the world of science, this foundation has as its mission the promotion of scientific study of human beings – both from physical and spiritual viewpoints. It promotes a major award for basic (EUR 200 000) and clinical research (EUR 100 000) while also awarding grants and organising a biannual symposium.

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51 [www.pordata.pt](http://www.pordata.pt)

52 *Bolsas Universidade de Lisboa/ Fundação Amadeu Dias.*

# 4 Innovative Examples

## 4.1 Successful partnerships

### 4.1.1 Successful partnership with a business association and an innovative project with a significant impact

#### COHiTEC, 2004-

The Luso American Foundation (FLAD)

**Reason for inclusion: an internationally recognised innovative partnership project involved in the creation of technology-based companies.**

COHiTEC is a training program concerned with technology sales, created in 2004 by COTEC Portugal in partnership with FLAD, and is in close cooperation with the North American universities North Carolina State University and Brown University. The program was developed in Porto and Lisbon, with the support of Porto Business School (from the University of Porto) and ISCTE (Lisbon University Institute). It is an example of a successful partnership between a foundation and a business association.

The mission of the program is to value the knowledge produced by Portuguese R&D institutions: the participating projects are based on technologies whose economic interest is evaluated for their potential for the creation of technology-based companies aimed at global markets.

For four months, multidisciplinary teams, composed of researchers, management students and managers, generate product ideas based on the participating technologies and prepare business plans that can sustain the viability of their development.

Since 2004, 123 projects have already participated in this program, with a total of 500 researchers and management students. 23 technology-based companies have been created.

The program received the Price Foundation Innovative Entrepreneurship Educators Award from Stanford University in 2006, and the teams from the COHiTEC program, invited by the University of Texas in Austin, have achieved outstanding places in the Idea to Product Competition (1st place in 2010, 2nd and 3rd places in 2008 and 2007).

**Main sources:** Eufori questionnaire, FLAD interview

## 4.1.2 A successful public-private partnership

### Projeto CISA – Centro de Investigação em Saúde de Angola, 2010-

#### The CISA Project – Health Research Centre in Angola

The Calouste Gulbenkian Foundation

**Reason for inclusion: This Centre is the result of an innovative partnership. The partnership includes a Portuguese foundation – Calouste Gulbenkian, a foreign Ministry and a Regional authority – the Angolan Health Ministry and the Provincial Government in Bengo, as well as a Portuguese public institute - Camões IP, with the aim of developing research in the healthcare field.**

The purposes of this Centre are to:

- contribute to a better knowledge of diseases and health problems in Angola such as malaria, tuberculosis, AIDS, and neglected diseases such as schistosomiasis, filariasis and helminthiasis, and non-communicable diseases such as cardiovascular ones;
- and work as a catalyser of biomedical research involving Angolan researchers with researchers from other countries, namely Portugal.

Research activities began in 2010 and a total of ten research projects have since been embarked upon, with a total of four of these studies currently ongoing. These research projects have already resulted in a total of seven published scientific articles, with a further two publications in collaboration with other research institutions and one opinion article.

The projects completed so far are the following:

- A survey of the prevalence of malaria, schistosomiasis, intestinal parasitoses, anemia and malnutrition in children and women in Dande Municipality (Caxito, Úcuá and Mabubas), Angola.
- Arterial hypertension in an adult population sample in Bengo Province: its magnitude and conditioning factors.
- An evaluation of the impact of training health technicians on improving malaria laboratorial diagnostic quality.
- An intervention study on controlling schistosomiasis in children aged between two and fifteen in Dande Municipality.
- Traditional knowledge and the natural therapeutic resources of Bengo: ethno-botanical sampling.
- A study on the causal factors of diarrhoea in children aged under five treated at Bengo General Hospital.
- A study on the cardiovascular risk factors in an adult population sample in Bengo Province (with FESA funding support).

#### Main sources:

CPF interview, [www.cisacaxito.org/en/](http://www.cisacaxito.org/en/)

## 4.2 Projects engaging the public interest in research

### Gripenet / Influenzanet, 2005-

[www.gripenet.pt](http://www.gripenet.pt)

Gulbenkian Science Institute (IGC) - Calouste Gulbenkian Foundation

**Reason for inclusion: already a project suggested by Foremap, this project is still innovative in Portugal and Europe as a way of engaging the population in the monitoring of the evolution of influenza. With its origin in the Netherlands in 2003, researchers from the IGC initiated an international cooperation that led to the creation of the Portuguese project two years later.**

Gripenet is an online monitoring system. The idea of monitoring seasonal influenza epidemics using the Internet and with the voluntary participation of citizens was born in the Netherlands in 2003. It was then extended to the Flemish Belgium, and its success led researchers from the Gulbenkian Science Institute to begin international cooperation and then create Gripenet in 2005.

Gripenet monitors influenza activity, collecting data from November to May each year, received voluntarily from citizens resident in Portugal and with an email account. The project's Internet site is open all year round with information about influenza.

Gripenet is financed by the Calouste Gulbenkian Foundation, and is a partner of Epiwork, sponsored by the Future and Emerging Technologies program of the European Community and proposing a multidisciplinary research effort aimed at developing the appropriate framework of tools and knowledge needed for the design of an epidemic forecast infrastructure.

Gripenet was distinguished by the Agência para a Modernização Administrativa (Agency for Administrative Modernization) as the best practice in the service of citizens.

#### **Main sources:**

[www.gripenet.pt](http://www.gripenet.pt), [www.epiwork.eu](http://www.epiwork.eu)

## Programa Novos Talentos em Matemática

### The New Talents in Mathematics Program

Gulbenkian Science Service <sup>[53]</sup> - Calouste Gulbenkian Foundation

**Reason for inclusion: a very innovative experience with the purpose of promoting the development of high potential young students in mathematics, offering the conditions to accelerate their development while infusing others with a zest for a specific area of knowledge.**

With the aim of celebrating the International Year of Mathematics back in 2000, the *Programa Novos Talentos em Matemática* was born. It is still active today.

The main purpose of the program was to give a new generation of research candidates the possibility of making more informed decisions about their careers. The chosen target comprised first to third-year students studying for an undergraduate degree in mathematics.

The main objective of the program was to give each scholarship recipient the chance to work for a year with a recognised researcher; an opportunity to develop his/her capacities in a particularly stimulating environment. The objective, therefore, was to promote excellence through contact with excellence in the form of peers and globally recognised mathematicians.

From the first year 'Diagonal Seminars' were organised in schools with the largest number of scholarship recipients in sessions open to all students, and from the fourth year on 'Diagonal Schools' were created during the summer, allowing students (for instance young winners of the Portuguese Mathematics Olympics) and all those interested in complementing their scientific training with contact with high-level mathematicians. From the eighth year on the Program was open to students from other areas who showed an interest in mathematics and who could benefit from a more in-depth contact with the discipline. It was also in the 8th year that the Program became international, with visits from students to other countries to present their work.

During the 10 years of its existence, the Program accepted 519 candidacies, of whom 200 were selected. The following numbers of scholarships were offered: 67 for first-year students, 82 for second-year students, and 51 for third-year students.

The Program has helped raise the ambitions of a group of young and specially gifted students, still at a time when they are influenced on decisions concerning their future, such as entering a PhD program quickly. Another program from the Gulbenkian Foundation – Scientific Initiation Scholarships – initiated in 2007, has benefitted from the experience gained in the Programme Novos Talentos.

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<sup>53</sup> As a result of a recent restructuring process, this Service was dissolved. Part of its functions resides now in the Education for Culture and Science Program.

In 2010, 18 students had already finished their PhDs either that year or in previous ones, and 26 were working on their PhDs.

**Main sources:**

The Gulbenkian interview; Gulbenkian (2010), *O Gosto pela Matemática – uma Década de Talentos*, Fundação Calouste Gulbenkian

## 4.3 Innovative projects

### Molecular and Systems Pathology

The Champalimaud Foundation

**Reason for inclusion: ground-breaking research in the area of medicine, with the aim of improving cancer treatments**

The Champalimaud Foundation is developing an innovative technology that integrates clinical data, morphometric elements and the distribution of molecular bio-markers in the context of tissue architecture, through the application of artificial intelligence instruments and sophisticated proprietary algorithms, in order to produce predictions of specific results for each patient.

This innovative and sophisticated system may be a valuable instrument in cancer diagnosis, in predicting responses to treatment and the probability of recurrence, and in contributing to personalised treatment.

**Main sources:**

The Eufori questionnaire, The Champalimaud Annual Report 2012

### Plataforma de telemedicina no Programa ‘Saúde para todos’/Telemedicine platform in the ‘Health for Everyone’ Program

Instituto Marquês de Valle Flor (IMVF)

**Reason for inclusion: An innovative application of technology in the service of the resolution of health needs of deprived populations (social innovation)**

The IMVF is a foundation with NGO status,<sup>[54]</sup> whose activities are focussed on Portuguese-speaking countries on the African Continent, promoting their socio-economic and cultural development. The IMVF has been providing assistance in the São Tomé archipelago for the past 25 years in the areas of education, health and food security. This platform is an innovative way the IMVF has found for accomplishing

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54 ONGD – NGO for Cooperation and Development, therefore it is a Cooperation for Development Foundation, as mentioned in 1.2 in this text.

its mission, and it has emerged as part of the 'Health for Everyone' Program (2012-2015), developed in S. Tomé e Príncipe, itself the result of previous work by the IMVF on the development of primary health care in the country. The platform is used to provide health services remotely, through the use of information and communications technologies provided by PT Inovação (Medigraf),<sup>56</sup> its partner company. In its second-generation format, the platform is portable, totally in Portuguese, compatible with all kinds of equipment and allows access to telemedicine from any common portable computer with Internet access. It is an example of innovation in access to a health service – telemedicine – provided by Portugal for São Tomé e Príncipe. Steps have been made to replicate this project in other countries, namely Cabo Verde and Angola.

The 'Health for Everyone' Program is supported by Camões – Instituto da Cooperação e da Língua, IP, a public institution and by the Calouste Gulbenkian Foundation, and has as its main partner the Ministry of Health and Social Affairs in São Tomé e Príncipe. The program covers the entire archipelago population, and in 2012 it allowed the realisation of 80,000 family-planning and mother-child protection medical appointments and more than 60,000 other appointments of diverse medical issues remotely. 9,900 exams were uploaded onto the platform during 2012 as support for the medical appointments. It is estimated that in 2012 it allowed savings of EUR 180 000 in transferences of patients to Portugal – savings which were reflected in the budgets of both the countries involved.

Recognising the capacity of the IMVF, and for its 25 years of work in the archipelago, the São Tomé government awarded the organisation public utility status, and the Portuguese government honoured it with a medal of Merit.

**Main sources:**

IMVF 2013 report, IMVF site:

[http://www.imvf.org/index.php?projeto=1314&tag=Saude-para-Todos:-Programa-Integrado-Projeto-de-Cuidados-Primarios:-autonomia-e-eficacia,](http://www.imvf.org/index.php?projeto=1314&tag=Saude-para-Todos:-Programa-Integrado-Projeto-de-Cuidados-Primarios:-autonomia-e-eficacia)

# 5 Conclusions

## 5.1 Main conclusions

Portuguese foundations supporting or developing activities in the field of R&I belong to a relatively small group of very diverse foundations. As detailed in Chapter 2, a group of 87 foundations was identified in this study as being R&D foundations. <sup>[55]</sup> The diversity of this group is expressed in quantitative and qualitative terms.

The range of foundations in the Portuguese foundation world is very diverse, and that diversity is also apparent in the subset of foundations devoted to R&I. Their income, overall expenditure, expenditure on R&I and the number of (FTE) employees all provide us with evidence of the wide variety of these organisations. A unique organisation in the Portuguese foundation world, the Calouste Gulbenkian Foundation, exerts its influence in a significant way with its highly valuable uniqueness and its huge size. This size also translates into impact – in fact, Portuguese society would not be what it is now, if the Gulbenkian had not been created back in 1956. It was, for years, our ‘Ministry of Culture’ and maybe of ‘Education and Science’ as well. But very recent foundations, which are now at the top of the rankings for expenditure on R&I, are making all the difference in specific areas, which offers us hope that they will keep on investing in the advancement of the country and of the world, and maybe inspiring others to follow the same path through the creation of valuable new foundations as a generous gesture of devotion to society and through what the country has allowed them to achieve.

According to the data collected in the Eufori survey, the Calouste Gulbenkian Foundation <sup>[56]</sup> expenditure on R&I is more than double that of the next foundation in the rankings – the EDP Foundation, almost triple that of the Champalimaud Foundation, and seven times more that of the following two in the rankings, the Luso-American Foundation and the *Francisco Manuel dos Santos* Foundation. When speaking of foundations, to characterise the system of research and innovation in Portugal in its private non-profit aspect, and to acknowledge the as yet new ground in the area of ‘social innovation’, is therefore, inevitably, and without any discredit to the others, to speak of the Gulbenkian and Champalimaud Foundations. The system developed by the public institution FCT, a major financial backer of the public research sector, and also of the more basic and strategic R&I activities of the private sector, includes (only) these two foundations in the organogram of the innovation system in Portugal (FCT, 2013, pp. 258-262).

In terms of foundations’ activities, ‘innovation’ plays a lesser role compared to research, or R&I taken

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55 The small size of the group of R&D foundations in Portugal, together with its disparity in terms of size and impact determined a relatively small set of answers to some questions. The number of answering foundations was given for every question considered.

56 Numbers relative to specific foundations are mentioned when it is possible to obtain them from public sources, and not from the Eufori survey.

together, in terms of expenditure. The results also point to a tendency for foundations to have either research or R&I as their main focus. One major exception to this is the Calouste Gulbenkian Foundation, with its activities spread over four statutory aims, and therefore with a high level of expenditure in the 'other expenses' (not R&I) category. The area of social innovation still emerging and affirming itself in the field of R&I must be emphasised, especially when the rate of expenditure in this area is so high by the hand of a corporate foundation – the EDP. We should also make note of the role the *Francisco Manuel dos Santos* Foundation has assumed in Portugal in social research and in the dissemination of knowledge for the pursuit of a better-informed and therefore more engaged civil society.

Medical science has emerged as a research area with a high level of expenditure, in which the Gulbenkian and Champalimaud represent 94% of the overall amount. Social research is on a par with medical science in terms of the number of foundations supporting or undertaking it, but the low number of answers to the question about the amount of expenditure determines an undervaluation of this area in the results. With a national or local/regional focus, the foundations surveyed still consider they are contributing to European integration. As a peripheral Western European country, Portugal has been on target to meet the EU averages in several areas. On a small scale, the group of foundations supporting or operating in the R&I field probably acknowledge their role in the advancement of Portuguese society in that direction. And therefore, to a more and deeper integration of the Portuguese population with the European continent. Closer support for and a greater control over the effectiveness of grant-making activities are apparent in the majority of the foundations surveyed, and they are all involved in ongoing partnerships. As researchers in Portugal are mostly concentrated in the universities, and particularly in public higher education institutions, it is not strange to see that universities are chosen as partners by almost all the foundations surveyed, as well as their beneficiaries. In terms of the role of foundations, the majority consider this to be of a complementary nature, with more than half admitting they are 'initiators' and only after that, 'substitutes'.

## 5.2 Strengths and weakness of the R&I foundation sector

Summing up strengths and weaknesses in general terms in a sector with as great a diversity as this one is a challenging exercise. Nevertheless, the challenge is accepted, and a list of main items is presented below. When we refer to foundations we are referring to the focus of their work, which is Portuguese foundations operating in and / or supporting R&I.

### Strengths:

Foundations in the field of R&I are very firm about the accomplishment of their missions and have a strong ability to move with the changing times. This characteristic is apparent in older foundations that have been able to re-interpret their missions over time in various effective ways.

They are able to engage in fruitful partnerships, with the same or different types of organisation, be it in juridical terms or in terms of size. It is common to find foundations in partnerships with public organisations, national or foreign, or with other foundations or other non-profit organisations, or even private companies. Several examples are mentioned in Chapter 4. An excellent example of partnership, and even

generosity, was the incubation of the Champalimaud Neuroscience Program in the Gulbenkian Science Institute for 5 years. During that period, IGC scientists were able to foster the emergence of another institution which would eventually become independent.

They are generally very independent organisations, nevertheless taking the opportunity of financing from public funds for projects wherever those opportunities exist so that their own funds can be used for other purposes.

In Portugal, the biggest foundations in the R&I field are also the biggest foundations in the country. With a few others, they are the ones setting the standards and examples for the rest of the Portuguese world of foundations. They set standards in terms of accountability and reporting, for instance.

Dialogue and exchanges of experiences and challenges at a national and international level have always been a practice of foundations, although not specifically for the field of R&I, and not specifically for larger foundations.

Investment in a professional management structure and in its training when needed is another characteristic relevant to the biggest foundations, which has been an important example for the rest of the foundation world.

### **Weaknesses:**

Foundations do not invest too much in communicating their achievements, which may be a result of a strict focus on their activities. Nevertheless, it might be a lost opportunity to engage society and other organisations in their efforts, enhancing their impact even further.

Foundations have been making an effort to broaden the scope of their activities to the whole country, although the bigger ones are based in Lisbon, and these efforts could be even stronger.

### **Opportunities:**

R&I foundations are part of a positive national convergence of R&I towards the EU average, which might result in a further stimulus and opportunities of doing more and better.

There is increasingly open access to scientific production, which is making Portuguese scientific production from Portuguese R&I foundations (as well as the rest) more visible internationally.

The growing quality of Portuguese universities and research centres constitute an increasingly interesting pool of researchers to support.

A European field of collaboration in R&I, which is expected to grow and deepen, might be an interesting opportunity for Portuguese R&I foundations to explore.

The growing number of Portuguese researchers provides an increasingly interesting pool for operating foundations, as well as grantmaking foundations, in their efforts to foster the development of the best ones.

The growing mobility of researchers internationally is opening up the pool of people available to engage in challenging projects and programs in foundations such as Gulbenkian and Champalimaud.

A growing interest on the part of the EU in the potential of social innovation is opening up opportunities for R&I foundations willing to invest in the promotion of products and processes developed to solve the most urgent needs of society.

### Threats:

The financial and economic crisis might turn the attention of foundations to more urgent societal needs, instead of a long-term investment in R&D. The same is true for the overall ageing of the population and the increasingly higher proportion of dependents on the social security system, increasing pressure on the State budget as well as the foundations' own budgets.

## 5.3 Recommendations

Portugal has a 1.5 % GDP in terms of R&I. This is well below the target of 3 % set by the country, following up on the target set by the European Union as a whole. Nevertheless, efforts to close this gap seem most realistically to be in the hands of companies than in any other type of organisation. The State laboratories in Portugal have considerably reduced their activity and the FCT is the biggest funder of universities and private companies. Private companies have been investing more, even SMEs, but this is not enough for the established target. One important reason lies in the low and medium technological levels of our enterprises.

In this context, in Portugal, it seems unreasonable to expect that an increase in the 1.5 % GDP will be achieved by the foundation world. It is too small, even though it comprises (very few) foundations with a size on a par with the biggest and most influential foundations in Europe.

Foundations in Portugal could benefit themselves and the country with increased investment in communicating what they do, and the impact of their activities. More knowledge would probably drive more people and resources towards foundations and their activities.

Also, the foundations in the field of R&I could invest further energy in engaging with universities, challenging them with the foundations' capacity to mobilise experts from around the world, and with their knowledge. In one interview <sup>[57]</sup> it was suggested that foundations, together or independently, should set up 'institutes of higher study,' which would serve as references in the public arena in their specific areas of knowledge.

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57 João Caraça, the Calouste Gulbenkian Foundation.

Finally, a European foundation status would also be highly beneficial for R&I foundations. It would allow foundations to operate/fund at a European level with no constraints. It would eliminate bureaucracy in terms of operations, and it would allow donations to flow freely to any given foundation in any part of Europe.

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Código Civil / Civil Code



Romania Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Tincuta Apateanu

Research and  
innovation



# **Romania Country Report**

EUFORI Study

**Tincuta Apateanu**

Independent researcher



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# 1 Contextual Background

Romania joined the EU in 2007. It is the seventh largest country in terms of population in the European Union, with 19 043 767 inhabitants in 2012. <sup>[1]</sup>

Romania had registered high economic growth rates in the years before the recent crisis, followed by a dramatic drop in 2009 (-6.6 %) and a slow recovery afterwards. The GDP per capita is one of the lowest in the EU (EUR 6 200 in 2012). According to the Global Competitiveness Report 2011-2012, Romania ranks 77 out of 150 countries.

## 1.1 Historical background

The documented history of Romanian foundations goes back to the Middle Ages, when the first philanthropic institutions were established under the umbrella of the Church (with the purpose of taking care of orphans and the extremely poor). <sup>[2]</sup> In 1704, Mihai Cantacuzino established a monastery and the first hospital in Tara Romaneasca (a historical and geographical region in Romania in the Medieval period), with a capacity of 24 beds. <sup>[3]</sup>

One of the best-known and oldest Romanian foundations was set up in 1869, when Emanuil Gojdu, a successful lawyer, established by will and testament an endowment for the Gojdu Foundation <sup>[4]</sup> that was registered officially in 1870. The mission of the foundation was to support education through scholarship programs. During its 48 years of existence, the Foundation awarded over 4 455 scholarships to Romanian Orthodox youth in Hungary and Transylvania.

The first law that regulated the establishment and functioning of associations and foundations was adopted in 1924 - Law no. 21/1924, also known as the Marzescu Law.

During the Communist regime (1945-1989) the activities of NGOs ceased and their private patrimonies were nationalised by the State.

The fall of the Communist regime in 1989 offered the political framework for the re-emergence and development of Romanian civil society. This process happened under the monitoring of international institutions that Romania wanted to be a part of, such as the Council of Europe and the European Commission. The existence and functioning of civil society have been a guarantee as well as a necessary condition for

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1 <http://www.recensamantromania.ro/wp-content/uploads/2012/08/TS2.pdf>

2 Dr. Nicolae Vătămanu, *Origins of Romanian Health System*, Editura Medicală, Bucharest, 1979, p. 86-87

3 <http://www.revistateologica.ro/articol.php?r=29&a=3444>

4 [http://fundatiagojdu.ro/index\\_eng.html](http://fundatiagojdu.ro/index_eng.html)

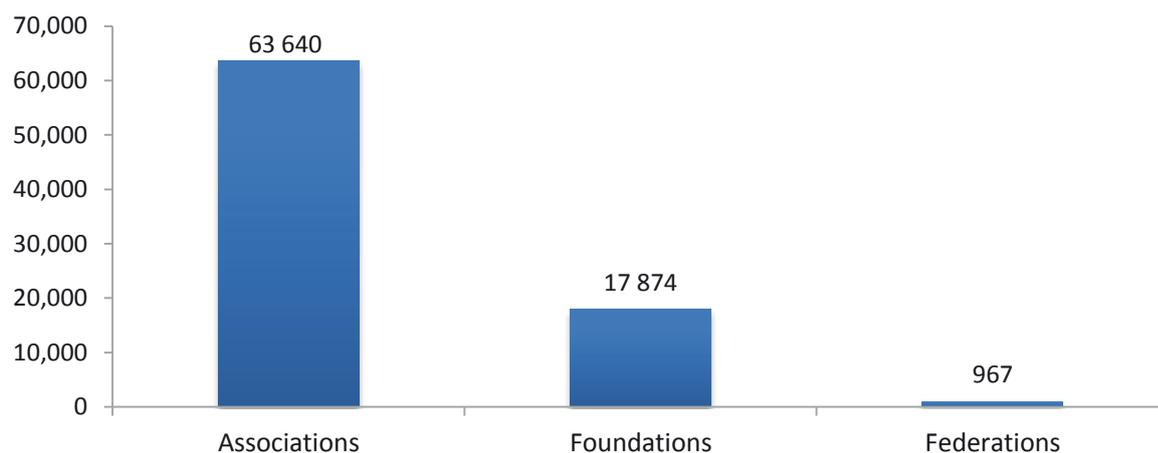
ensuring a democratic climate and good governance. Besides the political framework, the transition to a market economy has also played an important role in buttressing the development of the not-for-profit sector.

The main forms of organisations within civil society are associations and foundations. In addition, two or more associations or foundations may join together to form a federation. These three entities are commonly referred to as 'not-for-profit organisations' or 'non-governmental organizations – NGOs' in Romanian legislation. There are minor differences between associations and foundations in Romania and for this reason most of the available statistics do not differentiate between these two categories. The scope, funding and fiscal framework of the two are very similar, and the vast majority of Romanian foundations are operational, not grantmaking.

In the early 1990s, a number of prominent international organisations established subsidiaries in Romania and invested their efforts and funds in the development of Romanian civil society (e.g. the Soros Foundation, The Trust for Civil Society in Central and Eastern Europe, The German Marshall Fund) or in charity projects (Terre des Hommes, World Vision, the Pestalozzi Foundation, Save the Children). After Romania became an EU member in 2007, some of the international grantmakers decided to discontinue their funding.

By 1996 a variety of associative structures had officially been registered, among them 5 002 religious associations and churches and 12 309 associations and foundations. By 1999, the number of associations and foundations, including religious associations, had reached 25 194, and the aggregated number has been increasing since.

**Figure 1: The total number of registered non-governmental organisations in Romania (Jan. 2014)**



Source: NGO Registry, the Ministry of Justice

## 1.2 The legal and fiscal framework

The legal framework that currently governs the establishment and functioning of the foundation sector is Ordinance 26/2000 and Law 246/2005 regarding associations and foundations.

According to Ordinance 26 and the corresponding Law, a foundation is a legal entity constituting one or more persons who, on the basis of an act of will, establish a patrimony designed permanently and irrevocably for achieving an objective of general or community interest. A foundation acquires legal status on registration with the Registry of Associations and Foundations (an office within the Ministry of Justice) at the court in whose territorial jurisdiction it has its headquarters. The National Register of Associations and Foundations states the date of the registration, the name of the organisation, its scope and the names of the founders.

The organisational bodies of the foundation are the following:<sup>[5]</sup> a) the Managing Council, made up of at least three members appointed by the founder(s) at the moment of the foundation's registration; b) the Censor or Censor Committee, made up of an odd number of members. The Managing Council of the foundation is the executive and administrative body of the organisation and is responsible for ensuring the pursuit of the purposes and goals of the foundation.

The social capital (patrimony) of the foundation must include assets (in-kind or monetary) with a value of at least 100 times the minimum gross salary in Romania on the date of its registration (currently this amounts to approximately EUR 15 000).

The tax rules governing foundations are the same as those governing associations. Foundations pay taxes on real estate and profits. They are tax-exempt in respect to grants and donations.

Foundations may carry out direct economic activities if these are ancillary in nature and are closely connected to the main purpose of the organisation. However, if they have revenue from economic activities in excess of EUR 15 000 EUR, their tax liability is similar to that which is applicable to a commercial business.

There is a system of personal income tax deductions aimed specifically at enabling private individuals to make donations to NGOs (associations, foundations or federations). Romanian taxpayers have the possibility of donating up to 2 % from their annual income tax (which currently stands at a flat-rate of 16 %) to a nonprofit entity of their choice. An individual receiving commercial income from independent activities (e.g. work as a lawyer or notary when the individual is not affiliated to a particular company) or from intellectual property rights qualifies for a sponsorship deduction of up to 5 % of their total taxable income, in addition to the 2 % of the annual income tax that he or she can designate for sponsoring a particular NGO (Fiscal Code). The 2 % tax deduction was first introduced for the 2005 fiscal year in Romania. In 2011, the total amount of income tax deductions of 2 % redirected by Romanian tax-payers to NGOs totaled over EUR 27.8 million.

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5 <http://www.romanianlawoffice.com/non-profit-foundation-association-romania.htm>

There is also an incentive for companies to donate: they can direct 0.3 % of their turnover, but no more than 20 % of their profit tax to NGOs (Fiscal Code and Law 32/1994 on sponsorship).

Donations of cash, shares, securities, real estate and in-kind-donations are deductible. The upper limit to this tax incentive is 2 % of the total income.

The deductibility of donations (whether individual or corporate) to NGOs is regulated by the Law on Sponsorship, which lists the types of sponsorship that qualify as tax-deductible (Law 32/1994), and the Fiscal Code, which imposes limits on the amount that a donor can deduct.

### 1.3 The foundation landscape

As compared with Western countries, <sup>[6]</sup> Romania has a low level of philanthropic activity, as the country is still struggling with a prolonged transition from Communism, a transition that is characterised by a high poverty rate, a low GDP and, above all, a high degree of mistrust in public institutions as well as in civil society organisations (only 32 % of Romanians trust NGOs, while 80 % trust the Army and 75 % trust the Church). Besides this mistrust, there is also a very low awareness of the NGO sector in general (only 20 % of the population can name one NGO). <sup>[7]</sup> Civil society also is also confronted by phenomena that are characteristic of young democracies, such as insufficient funds, the passivity of the citizens, insufficient social capital and low levels of participation.

With regard to philanthropic behavior, Romanians mostly donate small amounts of money to the Church (33 % of Romanians declare that they have donated money to their local church) and approximately 23 % have donated 2 % from their income tax to NGOs. <sup>[8]</sup>

There are 82 481 registered NGOs <sup>[9]</sup> in Romania (according to the National NGO Registry in the Ministry of Justice), but not all of them are active. This number comprises all the NGOs that have been registered since 1990. Out of the total registered NGOs, 17 874 <sup>[10]</sup> are foundations (approximately 21 % of all NGOs).

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6 [http://www.efc.be/programmes\\_services/resources/Pages/Foundations-in-Europe.aspx](http://www.efc.be/programmes_services/resources/Pages/Foundations-in-Europe.aspx)

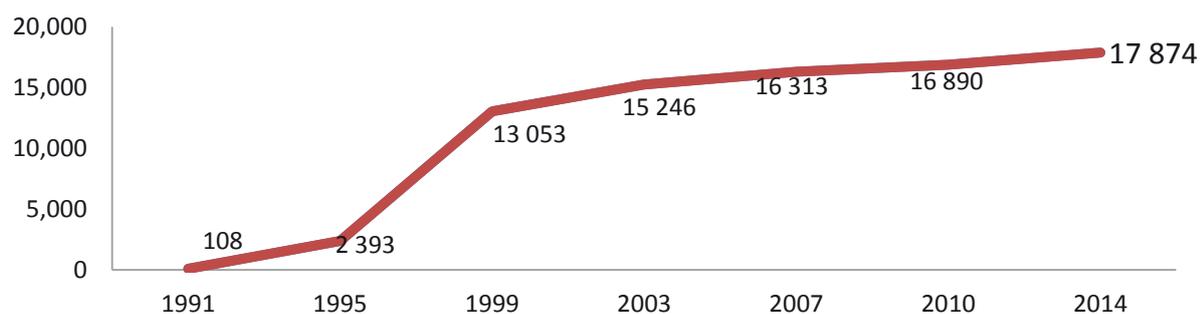
7 [http://www.fdsc.ro/library/conferinta%20vio%207%20oct/Cercetare%20omnibus\\_rezultate.pdf](http://www.fdsc.ro/library/conferinta%20vio%207%20oct/Cercetare%20omnibus_rezultate.pdf)

8 <http://doilasuta.ro/content/index.php/rezultate-2>

9 Associations, foundations and federations, Jan. 2014

10 [http://www.just.ro/Portals/0/WWW/files/registrul\\_ong/Fundatii27112013.pdf](http://www.just.ro/Portals/0/WWW/files/registrul_ong/Fundatii27112013.pdf)

**Figure 2: The total number of registered foundations (accumulated) in Romania**



Source: 'Atlasul Economiei Sociale 2012 – IE' and the NGO Registry

The latest information available on the activity rates of foundations is from 2008, when only 5 060 foundations submitted their balance sheets to the fiscal authorities out of the 16 400 registered ones. This means a 31 % activity rate in 2008.

The National Institute of Statistics states that there were 52 398 active NGOs in Romania in 2012 (associations and foundations together). There is no available information on the current activity rate of foundations.

The largest number of Romanian NGOs are associations,<sup>[11]</sup> one of the reasons for this being the low set-up costs.

Also, the registration rate for associations is much higher than for foundations.<sup>[12]</sup>

Currently there is no umbrella organisation of Romanian foundations. In general, foundations work independently (with the exception of the Community Foundations that are organised under the umbrella of the Federation of Community Foundations which comprises 12 foundations<sup>[13]</sup>).

Also, the Foundation for the Development of the Civil Society (FDSC) has as their mission the support of the development of the NGO sector in general, and acts, in certain areas, as an umbrella organisation (for example, the FDSC developed the NGO catalogue and publishes annual reports on the situation of Romanian NGOs; foundations, associations, federations, etc.) The FDSC also acts as an operator for international funding schemes such as the SEE Grants.<sup>[14]</sup>

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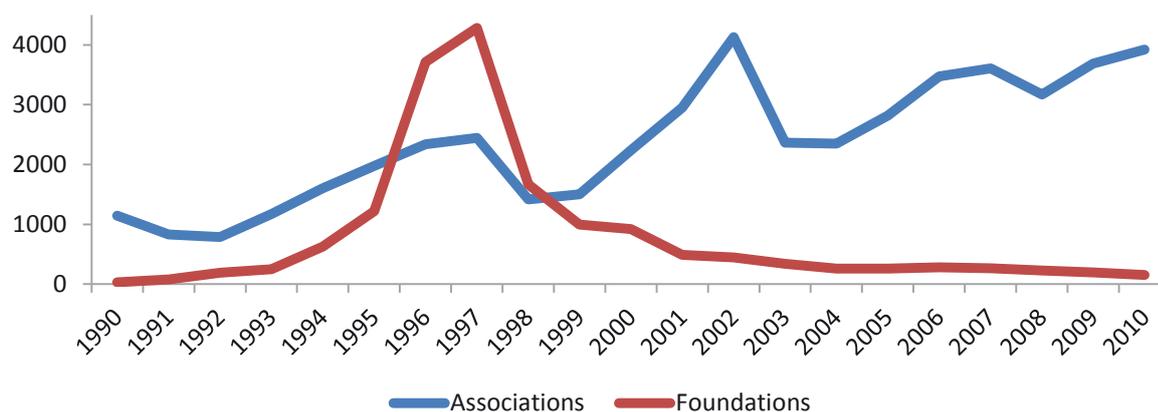
11 <http://www.just.ro/MinisterulJusti%C8%9Biei/RegistruINa%C5%A3ionalONG/tabid/91/Default.aspx>

12 <http://www.fdsc.ro/library/prometeus/ATLAS.pdf>

13 Information updated in July 2014. The Community Foundations network is constantly expanding.

14 <http://fondong.fdsc.ro/general-information-ngo-fund>

**Figure 3: registration rate for associations and foundations**



Source: Atlasul Economiei Sociale 2012, IES

The number of newly-registered foundations has been constantly decreasing since 1997, as shown in the figure above. One reason for this trend is the high set-up costs (approximately EUR 15 000). Since the legal and fiscal provisions for foundations and associations are quite similar, there is no incentive for individuals to establish foundations.

The foundations with the largest assets are active in the field of education <sup>[15]</sup> (private universities are initially established as nonprofits under Romanian legislation <sup>[16]</sup>). The Romanian National Education Law (nr. 1/2011) states 'Art. 122 (3) The initiative to establish a private university belongs to a foundation, an association, a religious cult or another education provider, referred to as the *founder*.' In 2010, there were 34 private universities with an annual income of over EUR 200 million. <sup>[17]</sup>

## 1.4 Research and innovation funding in Romania

The Romanian public RDI sector is quite fragmented (with 264 public research organisations <sup>[18]</sup>), while private research is undeveloped.

Over the last decade, R&D investment in Romania increased from 0.37 % of the GDP in 2000 to 0.58 % of the GDP in 2008, only to drop to 0.48 % of the GDP in 2011. Romania currently has one of the lowest R&D investment rates in the European Union, with a value of less than a quarter of its 2 % target for 2020. <sup>[19]</sup>

In 2012 Romania spent RON 2.8 billion (approximately EUR 650 million), i.e. 0.49 % of the GDP, four times lower than the EU27 average (2.03 % of the GDP in 2011, Eurostat) on research and development activities. The same proportional gap exists in terms of the number of researchers in the general population (0.75 full-time equivalent researchers per 100 inhabitants, while the EU average was approximately 3.16

15 Source: Atlasul Economiei Sociale 2012, IES, p. 17.

16 Law nr. 88/1993, ammended

17 <http://www.zf.ro/profesii/200-de-milioane-de-euro-pe-an-businessul-universitatilor-private-din-romania-8718700>

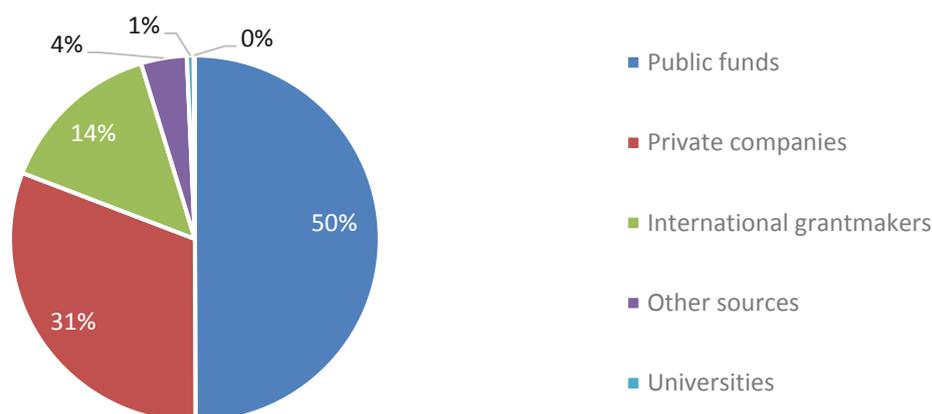
18 [http://ec.europa.eu/enterprise/policies/innovation/files/countryreports/romania\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/countryreports/romania_en.pdf)

19 Researchers' Report 2013 - Deloitte

in 2011). In addition, Romania had one of the lowest business R&D rates in the EU in 2011 with a value of 0.17 % (ranking 25th out of 27), with an average annual growth rate of -3.4 % between 2000 and 2011.

According to the National Statistics Institute, public funding has been the most important source of funding in 2012 for R&D activities, representing 49.9 % of all funding, followed by private companies with 30.9 %. Financing from nonprofit organisations (associations and foundations together) represented 0.10 % of the total financing for R&D activities (in 2012).

**Figure 4: Sources of funding for R&D activities in 2012**



Source: National Statistics Institute

Long-term underfinancing has already led to a substantial brain drain, Romania having one of the largest scientific diaspora out of the EU countries, with an estimated 15 000 researchers working abroad (World Bank 2011).

The most important RDI policy documents in Romania are the National RDI Strategy 2007-2013 and the associated National RDI Plan 2007-2013. In January 2013 a large foresight-based, ten-month project was launched by the UEFISCDI (the Executive Agency for Higher Education, Research, Development and Innovation) together with over 150 partners for the elaboration of the National Research, Technological development and Innovation Strategy 2014-2020 along with its associated Plan (which manages the public funds for RDI).

The National Plan 2007-2013 is the main implementation instrument, concentrating approximately 80 % of public expenditure on RDI, the rest being allocated to the Romanian Academy, and its branch academies (i.e. the Academy of Medical Sciences, the Academy of Forestry and Medical Sciences and the Academy of Technical Sciences) and the sectorial plans of several Ministries. The National RDI Plan includes six programs: Human resources, dedicated to the increase of the number of researchers and the improvement of their professional performance; Capacities, for the development of the capacities of national research institutions; Ideas, to support cutting-edge scientific and technologic results, comparable with the ones at a European level; Partnerships in the priority areas of RDI to stimulate public-private partnerships and

to solve concrete economic issues; Innovation, for the assimilation of innovative technologies, products and services in the production of research results by economic agents; and Institutional Performance, for the implementation of RDI strategies for the leading ST domains, developed in line with the National Strategy. These 6 programs were allocated RON 647 million (EUR 140 million) in 2013 and are currently implemented by the Executive Agency for Higher Education, Research, Development and Innovation (UE-FISCDI), under the coordination of three councils: a) the National Council for Scientific Research, b) the National Council for Development and Innovation and c) the Consultative Board for RDI.

When launching the National Strategy, the Government budget appropriations or outlays on RDI activities, planned for a multiannual period, reached 1 % of GDP by 2010, in-line with the 'Lisbon Strategy.' Achievements, however, were systematically lower. The explanation for 2007 was the insufficient absorption capacity of the RD system when changing from the old National Plan 1999-2006 to the new one, together with the inherent structural reforms during the transition process of Romania's accession to the EU; for the years 2008 and 2009, the explanation resides in the start and the deepening of the economic recession, respectively.

### Structural funds

Currently only 13.7 % of the total Structural Funds available to Romania is allocated to research, innovation and entrepreneurship, compared to an overall 25 % at the EU level. A large part of the Structural Funds for R&I has been focused on programs for developing R&I infrastructure and human resources. These developments have been complementary to the national R&D programs. <sup>[20]</sup>

The structural funds for RDI have been concentrated in Axis 2 of the Competitiveness Operational Program, with a total budget of EUR 715 million (excluding ELI-NP) for 2007-2013.

During the five years of their implementation, 1 200 projects were submitted and 500 selected. <sup>[21]</sup> 400 projects are currently underway, with a total budget of EUR 430 million, of which EUR 120 million is co-financing. 44 % of these funds has been contracted by organisations from Bucharest and its suburbs. Unfortunately, after a few years of some interest from the business sector, the number of applications from business dramatically decreased and contracts amounting to EUR 29 million were terminated at the request of the beneficiaries. Currently, only 62 % of the money dedicated to private companies has been contracted and 18 % actually paid, while the amounts allocated for public organisations have been contracted in full.

The structural funds created important premises for the future transformation of RDI in Romania. One has been the decision to invest in the large research infrastructure ELI-NP (Extreme Light Infrastructure-Nuclear Physics) (a total allocation of EUR 356 million, 83 % from structural funds), which builds on the longstanding tradition and human capital of Romanian nuclear physics. Another 57 public research insti-

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20 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/innovation\\_union\\_progress\\_at\\_country\\_level\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/innovation_union_progress_at_country_level_2013.pdf)

21 [http://ec.europa.eu/euraxess/pdf/research\\_policies/country\\_files/Romania\\_Country\\_Profile\\_RR2013\\_FINAL.pdf](http://ec.europa.eu/euraxess/pdf/research_policies/country_files/Romania_Country_Profile_RR2013_FINAL.pdf)

tutions (with an allocated budget of over EUR 350 million) and 81 private entities have been created or are under development with structural funds (POS CCE, Operation 2.2.1).

Romanian participation in FP7 projects has been rather modest, with 756 participants in 575 projects (ranking 19 among the EU member states) and a total budget of EUR 96 million allocated for Romanian participants, Romania ranks 19th out of the EU countries in terms of budget share (EC, FP7 Country Profile). Romania is taking part in nine pan-European infrastructure projects.

In conclusion, 'the key challenge for Romania is its low level of competitiveness, a challenge which has significant consequences for the R&I system. Romania's economy is characterized by the prevalence of low- and medium-technology sectors, with a weak demand for knowledge and an underdeveloped innovation culture. Romania is ranked as a modest innovator and has the lowest R&D intensity in the EU and a very low level of business R&D activity. To complete the picture of poor innovation, the Global Competitiveness Report 2011 classifies the country as efficiency-driven (together with Bulgaria), all the rest of the EU economies being either in transition to, or already in the innovation-driven stage.' [22]

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22 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/innovation\\_union\\_progress\\_at\\_country\\_level\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/innovation_union_progress_at_country_level_2013.pdf)

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

There is an online database <sup>[23]</sup> listing all the registered NGOs in Romania which is updated with new entries on a weekly basis. In January 2014 this database contained 82 481 registered NGOs, out of which 17 874 were foundations, but there is no available information on the number of active ones (foundations that submitted their balance sheets and financial information to the fiscal authorities for the previous year). The database provides information related to the name of the organisation, the date of registration, the name of the founders and the scope of the foundation's activities.

The first step in identifying the foundations that support R&I has been to search this database using several keywords (research, innovation, researchers, doctoral and post-doctoral studies, etc.). This search revealed approximately 100 foundations. This step was followed by telephone confirmations for each of the foundations that were on this list. Of the 100 foundations, only one was confirmed as being active in research after the telephone interview. The reasons for such a small confirmation rate were:

- a) Many of the foundations were in fact not active, they did not have a website or contact details, they did not have any projects or activities, nor had they submitted their financial balance sheets to the fiscal authorities for several years, but they had not yet been deleted from the national database.
- b) The ones that were active did not have any active participation in research, innovation or support activities. Since their establishment, their mission, goals and objectives have changed, but these changes were not registered in the national NGO database.

In parallel to this, email messages were sent to 100 universities in Romania (public and private), to 30 national research institutes, to the largest 100 foundations and associations, to the Ministry of Education, to the Minister appointed for Higher Education, Research and Technological Development and to the NASR (the National Agency for Scientific Research).

Intensive online research was carried out, searching for websites of those foundations that claimed to be active in research and/or innovation, reports or statistics.

This search lasted for several months and has revealed 13 foundations that are active in research and innovation.

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23 <http://www.just.ro/MinisterulJusti%C8%9Biei/RegistruINa%C5%A3ionalONG/tabid/91/Default.aspx>

These foundations are:

1. MRC - the Median Research Centre Foundation
2. The PANCUANTIC Foundation
3. The Foundation for SMURD
4. The Romanian-American Foundation
5. The New Europe Foundation
6. The ACTIVITY Foundation
7. The Calea Victoriei Foundation
8. Institutul de Ortognatologie si Protetica
9. The Romtens Foundation
10. The Centrul Educatia 2000+ Foundation
11. The Foundation for Inventions and Sustainable Technologies - Justin Capra
12. The Soros Foundation
13. The Romanian Institute for Science and Technology

Since the start of this research, the following changes have occurred:

- a) The Soros Foundation was rebranded in March 2014 and currently holds the name 'Foundation for an Open Society.'
- b) The Centrul Educatia 2000+ Foundation dismissed all of its employees in 2013 and ceased its activities due to financial difficulties.

## 2.2 The survey

13 foundations received a survey invitation by email. The invitation was accompanied by a letter of endorsement from the FDSC (the Foundation for Civil Society Development).

Ten foundations responded to the survey, out of which two said they did not invest in research or innovation and one returned the questionnaire incomplete.

The information provided in this report is also based on national reports (mainly provided by FDSC), interviews (see paragraph 2.3) and online research (annual reports of foundations, when available).

## 2.3 The interviews

For the qualitative part of the study, interviews were conducted with the following people: Mrs. Roxana Vitan, CEO of the Romanian-American Foundation (RAF); Mrs. Paula Apreutesei, Program Director Fellowship in Applied Research and Innovation (RAF); Mr. Dumitru Panculescu, CEO of the Pancuantic Foundation; Mrs. Ancuta Vamesu, the FDSC (the Foundation for the Development of Civil Society); Ovidiu Voicu, Head of Research at the Foundation for an Open Society (formerly known as the Soros Foundation); and Dr. Borbála Kovács, Senior Researcher in Social Policy, the Median Research Centre.

The Romanian-American Foundation, established in 2009, is one of the most prominent foundations in Romania, with an endowment of USD 50 million (EUR 36 million) and USD 6.2 million (EUR 4.4 million) spent on grants and program-related investments between 2009 and 2012. The Romanian-American Foundation was officially registered in the United States following an agreement between the Romanian-American Enterprise Fund (the 'RAEF' or the 'Fund') and the U.S. Government. The Foundation was formed to advance the purposes of the U.S. Foreign Assistance Act of 1961 and of the U.S. Support for East European Democracy Act of 1989 (the SEED Act) by building on the programs established by the Romanian-American Enterprise Fund by furthering the development of the private sector through education, entrepreneurship, and private sector philanthropy and volunteerism in Romania. The Foundation will be operated as a perpetual endowment. Its endowment is exclusively dedicated to Romania. The Foundation also has a subsidiary registered in Romania.

In 2012, the RAF laid the foundations for a new strategic initiative: <sup>[24]</sup> Applied Research, Technological Innovation and Entrepreneurship (ARTIE), to be launched in early 2013. ARTIE focuses on investing in Romanian talent in areas where there is demonstrated international performance, connecting people to the newest trends in technology, helping Romanian researchers and entrepreneurs commercialise their ideas, and addressing societal needs by choosing projects with clear, concrete and measurable outcomes. The RAF has invested USD 1.5 million in grants to fund applied research and to support emerging models of commercialisation innovation. The ARTIE Fellowship Program embraces the newest technological trends, such as the Internet of Things, offering the opportunity for applied researchers and entrepreneurs to collaborate in building smarter things, a smarter environment and a smarter planet. The ARTIE Fellowship Program will result in a strong community, reaching approximately 250 individuals and 50 direct beneficiaries.

Besides offering grants, the fellowship program provides community support by forging connections with professors and institutions abroad (including the Romanian diaspora) and by building a community of relevant stakeholders, including successful entrepreneurs, investors, government officials and other researchers already engaged in existing projects in Romania.

Mrs. Ancuta Vamesu has over 20 years experience in the NGO sector in Romania for the development of areas she has worked on in various capacities: designing and leading the first pre-accession programs for civil society development in Romania, doing advocacy work, and training and research. She has worked for the EC Delegation in Romania, she has been the first director of the Civil Society Development Foundation and a founding member of many other organisations in Romania such as the Foundation Partners for Local Development.

Dumitru Panculescu: the Pancuantic Foundation promotes scientific research and encourages young people to pursue a career in research. In 2010, the Pancuantic Foundation received a gold medal for their innovation 'Device for Remediation in Living Spaces' at the Belgian and International Trade Fair for Technological Innovation.

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24 [http://www.rafonline.org/upload/p00010003\\_RAF\\_report\\_2012\\_web\\_7\\_full.pdf](http://www.rafonline.org/upload/p00010003_RAF_report_2012_web_7_full.pdf)

The Foundation for an Open Society (rebranded in March 2014, formerly known as the Soros Foundation) has been very active in social science research in the past five years. One of the most important initiatives is the Public Opinion Barometer, a program for the research and analysis of public opinion in Romania, with a mission of contributing to consolidating the links between the structures of power and society as a whole, clarifying the key subjects that must be found on the agendas of NGOs and public institutions, making available to any interested parties the necessary data for the professional development of public policy, and providing rigorous analyses of any results for the benefit of the public. The program is centred around the biannual quantitative research (an opinion poll), known as the Public Opinion Barometer, supplemented by dedicated research focusing on certain segments of society. The POB is based on a series of representative surveys for Romania's adult, non-institutionalised population, carried out twice a year (in May and October), on a large sample (1800-2200 persons), using a random sampling scheme, with contracted primary data gathering and processing.

# 3 Results

## 3.1 Types of foundation

In our survey, out of the seven foundations that responded to this part of the questionnaire, only one is grantmaking (The Foundation for an Open Society) and six are operating.

Even though there are no national reports that could provide information on the situation of foundations at a national level, we can assume that this result is in line with the situation of all the foundations registered in Romania. Only a small proportion of Romanian foundations are grantmaking (out of these foundations we should mention the Romanian-American Foundation, the Environmental Partnership Foundation, United Way Romania, the Vodafone Foundation, the Pact Foundation and the FDSC). The majority of the foundations that are still active operate and are funded from the same sources as associations (sponsorships, grants from international organisations, European funds and economic activities).

With regard to examples of grantmaking activities in research and/or innovation, the Foundation for an Open Society launched Serendino <sup>[25]</sup> in 2014, a competition of ideas for social innovation within the 'SEn – The Social Enterprise' program, with prizes totaling USD 120 000 USD (approximately EUR 90 000 EUR). The competition is open to anybody with a social innovation idea (such as innovative heating solutions for homes, innovative solutions for water systems for homes in rural areas, building solutions, recycling, etc.).

Another grantmaking foundation in research/innovation is the New Europe Foundation, established in 1994 by Andrei Plesu, a former Minister of Culture. The foundation organises several scholarships and research fellowships programs for Romanian researchers within the New Europe College (part of the New Europe Foundation, also established in 1994). Some of these scholarships programs are: NEC Scholarships (ten scholarships granted each year to young Romanian researchers in the fields of social and economic sciences), Europa scholarships, Robert Bosch scholarships and RELINK scholarships.

## 3.2 The origin of funds

### 3.2.1 Financial founders

Of the seven foundations that responded to this part of the study, four were founded by a private individual or family, one foundation was founded by a private individual and a for-profit corporation, one was established by another NGO and one by a public entity.

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25 <http://www.serendino.ro/node/1>

### 3.2.2 Income

The FDSC <sup>[26]</sup> published a report stating that in 2010 there were 26 322 active NGOs (associations and foundations) with a total income of EUR 1.3 billion and non-current assets of EUR 1.4 billion.

Regarding our survey, the situation for 2012 was as follows:

The Romanian-American Foundation had a total income of USD 848 534 (interest and dividend income).<sup>[27]</sup>

The Soros Foundation had a total income of USD 5 003 000 (USD 3 170 000 from Open Society Foundations and USD 1 833 000 from European Funds). <sup>[28]</sup>

The other 11 foundations in our survey do not have a public annual report containing financial information.

Regarding the sources of income, foundations usually raise funds from several sources: five foundations in this survey raise funds from individual donations, four are financed by corporations, one receives funds from nonprofit organisations, three from the government and two from service fees.

Regarding income from endowments, only one foundation responded with an amount of EUR 4 200. In our sample, income from individuals ranged from EUR 3 000 to 9 000 in 2012, income from corporations was under EUR 2 000 in 2012 and income from other nonprofit organisations was, in the case of one foundation, over EUR 4 million.

As an illustration, until 2014, the Foundation for an Open Society benefited from an institutional grant from the Open Society Foundations (for example, in 2013, total revenue was USD 3.4 million USD, of which the OSF funds covered USD 2.7 million). Other revenue sources were donations from international foundations and European Funds.

The New Europe Foundation receives funds from international foundations<sup>[29]</sup> (such as Volkswagen-Stiftung, The Open Society Institute, The Getty Foundation and Ludwig Boltzmann Gesellschaft), and international institutions (such as The Swiss Agency for Development and Cooperation, The State Secretariat for Education and Research of Switzerland, The Federal Ministry for Education and Research of Germany, and The Federal Ministry for Education, Science, and Culture of Austria).

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26 [http://www.ies.org.ro/library/files/atlasul\\_economiei\\_sociale\\_2012\\_en\\_final.pdf](http://www.ies.org.ro/library/files/atlasul_economiei_sociale_2012_en_final.pdf)

27 [http://www.rafonline.org/upload/p00010003\\_RAF\\_report\\_2012\\_web\\_7\\_full.pdf](http://www.rafonline.org/upload/p00010003_RAF_report_2012_web_7_full.pdf)

28 [http://www.fundatia.ro/sites/default/files/2012\\_Raport%20anual%20de%20activitate\\_ro.pdf](http://www.fundatia.ro/sites/default/files/2012_Raport%20anual%20de%20activitate_ro.pdf)

29 [http://www.nec.ro/aboutUs.html#tab\\_funding](http://www.nec.ro/aboutUs.html#tab_funding)

### 3.2.3 Assets

Only two foundations revealed in their questionnaires amounts in terms of total assets: EUR 13 000 and EUR 12 million, respectively. The Romanian-American Foundation financial statements revealed total assets of USD 52 154 813 in December 2012. The Foundation is capitalised with an endowment through a grant from a Fund. This Fund pays or transfers to the Foundation certain 'RAEF proceeds,' such as payments or transfers constituting in aggregate the endowment of the Foundation. The original source of the grant provided by the Fund to the Foundation is the U.S. Government acting through USAID, and the funds provided through the Foundation are therefore a gift from the American people to the citizens of Romania.

## 3.3 Expenditure

Two foundations disclosed the amounts they spent in 2012: EUR 9 090 (of which 60 % was invested in research and 40 % in innovation) and EUR 5 230 682 (17 % invested in research and 83 % for other purposes), respectively.

In the case of both foundations, the percentage allocated to direct research was 80 % versus 20 % for research-related activities.

None of the foundations have invested in research grants.

In 2012, three foundations registered increases in expenditure compared to the previous year (by 10 %, 20 % and even 80 %), while one registered a decrease of 30 % as compared to the previous year.

Of the five foundations that responded to this question, three expect their expenditure to remain the same, one will discontinue their expenditure on R&I in the future and only one foundation expects an increase in R&I expenditure during the following year.

In 2012, the Romanian-American Foundation registered total operating expenses of USD 1 044 356 USD and grants amounting to USD 1 966 242.<sup>[30]</sup>

The Soros Foundation's expenses in 2012 equal a revenue of USD 5,003,000.<sup>[31]</sup>

## 3.4 Focus of support

The surveyed foundations supported the following research areas in 2012:

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30 [http://www.rafonline.org/upload/p00010003\\_RAF\\_report\\_2012\\_web\\_7\\_full.pdf](http://www.rafonline.org/upload/p00010003_RAF_report_2012_web_7_full.pdf)

31 [http://www.fundatia.ro/sites/default/files/2012\\_Raport%20annual%20de%20activitate\\_ro.pdf](http://www.fundatia.ro/sites/default/files/2012_Raport%20annual%20de%20activitate_ro.pdf)

**Table 1: Foundations' areas of research**

Research area	No. of foundations
Natural sciences	3
Social and behavioural sciences	3
Engineering and technology	2
Medical sciences	1
Agricultural sciences	1
The humanities	1

Only one foundation disclosed information regarding expenditure on specific research areas: expenditures on social and behavioural sciences amounted to EUR 9 090 in 2012. These specific projects are related to the development of online platforms or online applications, supported by researchers with the purpose of providing transparent, reliable and clear information about political agendas and social priorities.

During 2013-2014, The Romanian-American Foundation (RAF) has run the Applied Research, Technological Innovation and Entrepreneurship (ARTIE) program, which aims to support researchers in the innovation cycle to bring their ideas from the laboratory to the market. ARTIE launched an open call for Proof-of-Concept (ARTIE-POC) proposals in April 2013, consisting of two phases: Expression of Interest (open) and Full Application (by invitation). The call process finished, and winners were selected to receive grants over a period of eight months to develop an idea into a proof-of-concept.

Following the two-step expert evaluation process, the Scientific Board (which consisted of internationally renowned scientists and successful entrepreneurs) chose the eight winning teams out of 151 submitted applications. The first generation of ARTIE Fellows – the 27 researchers – completed their grants on 31 August 31 2014. (For a complete list of winners, please access: <http://artie.rafonline.org/>).

Besides offering grants, the program provides community support by forging connections with professors and institutions abroad (including the Romanian diaspora) and by building an community that includes a variety of stakeholders, including successful entrepreneurs, investors, government officials and other researchers already engaged in existing projects in Romania. The RAF has invested USD 1.5 million in grants to fund applied research and to support emerging models of commercialisation innovation.

**Table 2: Foundations' research-related activities**

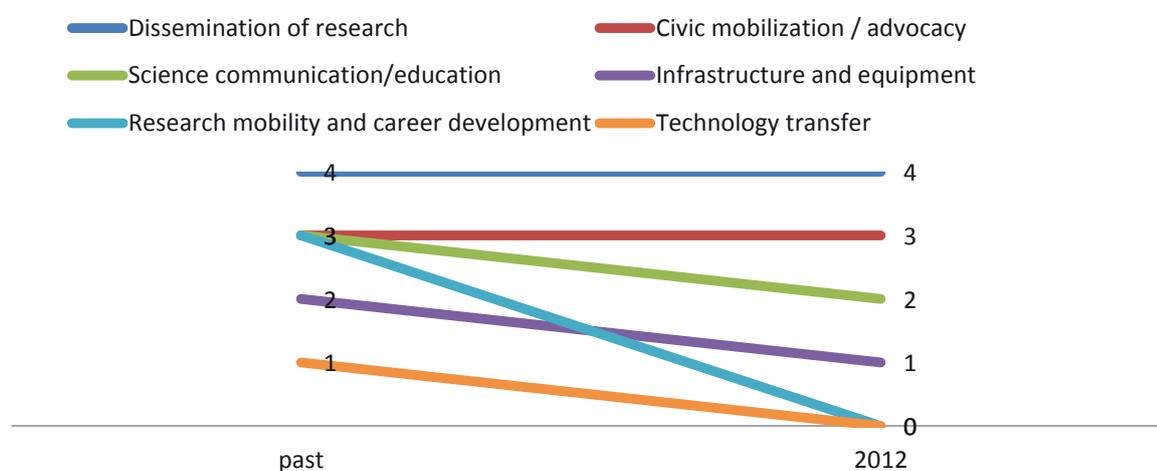
Research-related activities	No. of foundations
Dissemination of research	4
Civic mobilisation / advocacy	3
Science communication/education	2
Infrastructure and equipment	1
Research mobility and career development	0
Technology transfer	0

Two foundations disclosed information on their expenditure for the dissemination of research: EUR 909 and EUR 3 409, respectively.

EUR 5 600 was spent on civic mobilisation and advocacy by one foundation in 2012.

Even though in 2012 no foundations supported research mobility and career development, in 2011 there were three foundations that had invested in this type of activity.

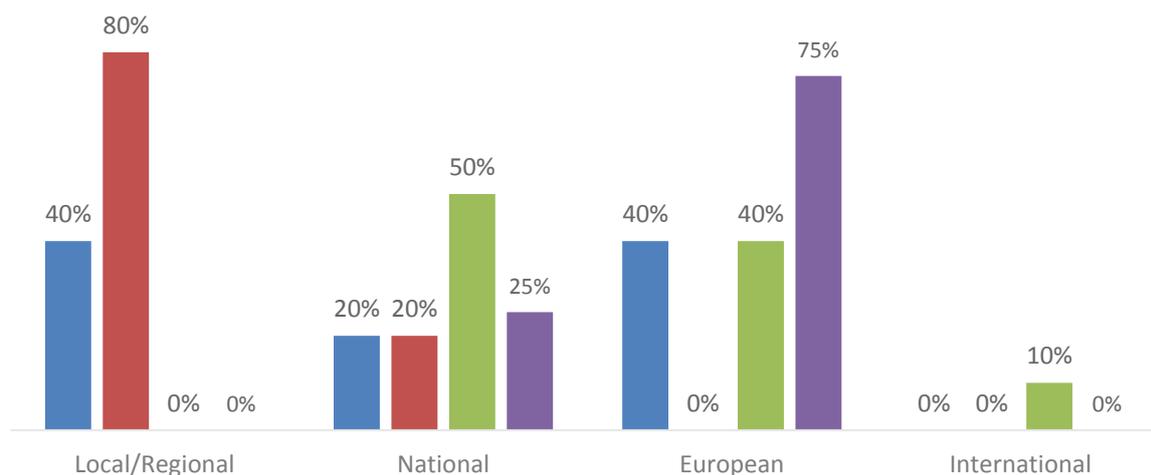
**Figure 5: research related activities**



### 3.5 The geographical dimensions of activities

The geographical reach of the surveyed foundations' activities varied significantly among the four foundations that responded to this part of the questionnaire, as revealed in the figure below:

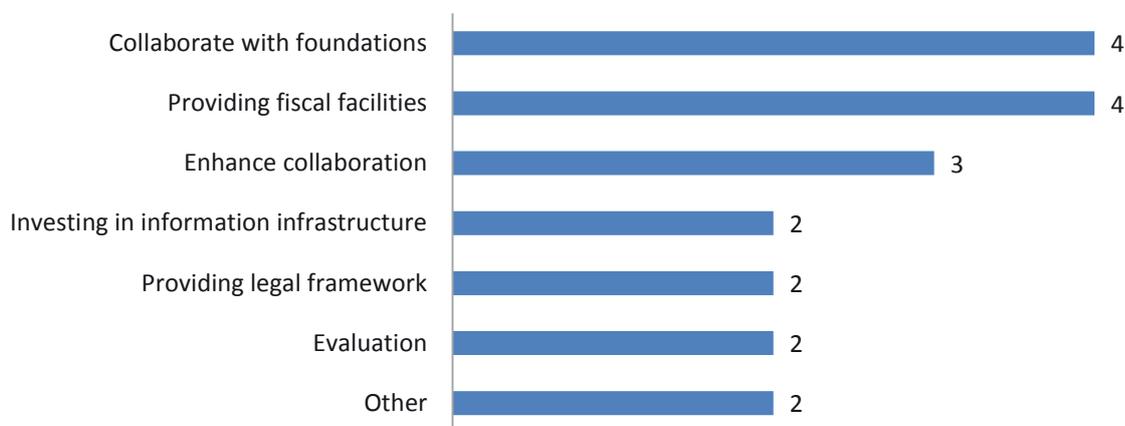
**Figure 6: The geographical reach of foundations' activities**



The activities of the Soros Foundation (The Foundation for an Open Society) as well as the programs developed and financed by the Romanian-American Foundation are focused on Romania and they have a national dimension.

The most important roles of the EU in supporting foundations are: to collaborate with foundations in projects, to provide fiscal benefits, and to provide a structured context for enhancing collaboration.

**Figure 7: The role of the EU**



Dumitru Pănculescu, President of the Pancuantic Foundation, stated that the foundation 'did not engage until now in partnerships with foreign foundations due to lack of information but also due to limited financial resources.' The foundation is nevertheless very interested in engaging in such partnerships if they are facilitated by the European Commission / DG Research. Mr. Pănculescu also stated that 'the EU can play an important role in promoting the results and experiences of foundations active in research and in stimulating the activity of such foundations.'

Other roles, as suggested by the interviewed foundations, were the following: providing more funding and co-funding opportunities (grants), and enabling fiscal incentives in all states to apply for funding from foundations in any member state.

Paula Apreutesei, Program Director with a Fellowship in Applied Research and Innovation at the Romanian-American Foundation, stated 'I think the role of EU in supporting R&D active foundations has been elevated with the HORIZON2020 framework. Gathering feedback from the field is helping both parts (the Commission and the foundations) to understand what works and what doesn't work. Simplification is key, and here the foundations can act as a relay to the communities of researchers. Through the foundations, both researchers and the Commission can increase the awareness of the opportunities and can promote the results of the grants awarded. Impact evaluation takes time because outcome can be measured in the long term. Both the Commission and the community of researchers are measuring the immediate results of the grant and are engaged in a seven-year financial cycle. The foundation's role could be linked to an impact evaluation of the cycle which is ending, observing the long-term outcome.'

Ovidiu Voicu, Head of Research at the Foundation for an Open Society, stated that 'Another very important role of the European Commission could be the provision of technical assistance for Romanian foundations that access European funds, by establishing an information bureau in Romania.'

Dr. Borbála Kovács, Senior Researcher in Social Policy at the Median Research Centre, stated 'the EU's direct role is negligible, including in respect to international or national collaboration with other foundations, fiscal facilities etc. for the obvious reason that it is not the EU directly that can provide fiscal facilities, or provide the context for collaborative efforts or a legal framework etc.'

'Perhaps the EU's role is much more diffuse. Foundations that I have collaborated with and which have engaged in R&I have enjoyed financial support from nonprofit grantmaking organisations with a pan-European agenda, pan-European sources of funding and a pan-European reach. This, I think, would not be possible in the absence of the EU, which makes the whole prospect of R&I within (and, through partnerships, across) member states more realistic and, as such, more tangible.'

'Perhaps another diffuse (and unmeasurable) effect of the EU – and I think this is more of a medium- and long-term effect, but the benefits of which we are already reaping – is that researchers' biographies and professional careers are increasingly more European, i.e. cross-border. Individual scholars and would-be scholars are educated in several countries and work in several countries throughout their careers. And people carry their research interests wherever they go, contributing to R&I projects in other countries as well as in their own countries while living abroad. This, in my view, enhances the quality of research, because bringing together the most suitable people – including by foundations whose activities are most often project-based – is definitely possible without bureaucratic, logistical or even financial hurdles (unlike 20 years ago across Central and Eastern Europe).

'Directly, however, the EU's role is rather limited, at best extending to cultivating a union-wide (policy) discourse on the importance of R&I, on the benefits of R&I and – therefore – the legitimacy of R&I activities within member states.'

Regarding the foundations' contribution to European integration, the respondents considered that their activities contribute to integration in mostly research issues, followed by educational, cultural and social issues.

### 3.6 Foundations' operations and practices

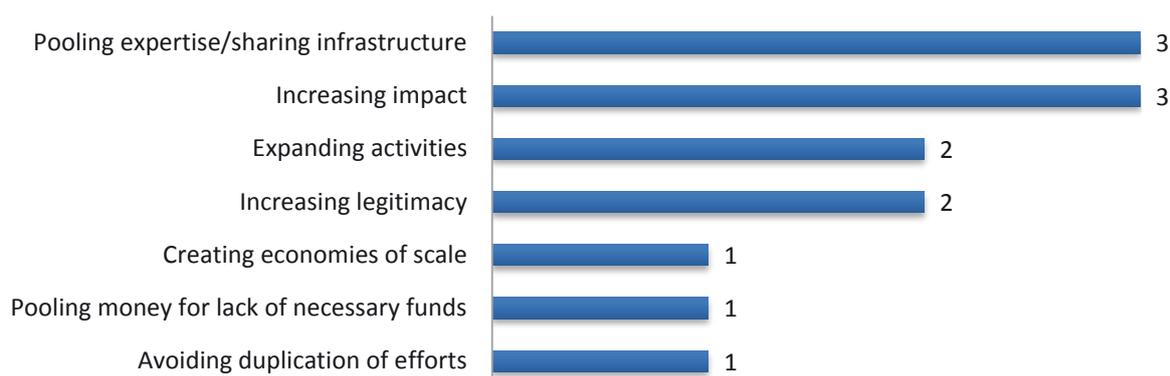
Regarding the management of the surveyed foundations, three are governed by a Governing Board (Managing Council) with appointed members, two have a Governing Board with elected members, one is governed by the original founder and one by the original founder and a Governing Board with appointed members.

According to Ordinance 26 and the corresponding Law (Law 246/2005), the leadership and administrative body of the organisation that ensures the pursuit of the purpose and goals of the foundation is the Managing Council, made up of at least three members appointed by the founder(s) at the moment of its formation. Therefore, as a general rule, the Governing Board is appointed by the founder(s). The length of the mandate is set out in the Statutes of the foundation.

In our sample, four foundations engage in partnerships: two with other foundations, all four with universities, two with research institutes, one with governments, two with other nonprofits, one with companies and none with hospitals.

**Figure 8: Motivation Partnerships**

In number of foundations



#### Case studies on partnerships

In 2013, The Foundation for an Open Society participated in a project called the 'Research and Information Center on Immigrant Integration,' <sup>[32]</sup> financed by the European Fund for the Integration of Third Country Nationals through the general program 'Solidarity and the Management of Migration Flows' (ref: IF/11.01-03.01) of the European Union, managed in Romania by the Ministry of Administration and Interior, with the General Inspectorate for Immigration as the contracting Authority.

For this project, The Foundation for an Open Society partnered with another NGO, the Romanian Association for Health Promotion. One of the outcomes of this project was the publication in 2013 of the 'Immigrant Integration Barometer.' The main objective of this study was to identify and analyse the practice of integrating immigrants into Romanian society, by corroborating the opinions of all the relevant players: immigrants, the host society and the responsible authorities. At the same time, the study's purpose was to

32 <http://www.cdcdi.ro/en/>

make a chart of the process of the integration of citizens who do not come from the European Union with regard to the following areas: labour, medical and social assistance, education and citizenship.

Dr. Victor Babes Foundation <sup>[33]</sup> (Fundatia Dr. Victor Babes) was established in 1995 with the purpose of supporting the Dr. Victor Babes Hospital in Bucharest (equipment for the hospital, better care for the patients). In time, the foundation started to provide medical and surgical services by establishing the Medical Research Department in 2004.

The research activities at the Dr. Victor Babes Foundation fall into two areas: 1) research grants (financed by the Ministry of Education, the European Union and other public financing bodies), and 2) clinical research (corporate sponsors). To carry out its research activities, the foundation has become partners with various public health institutions (hospitals, universities and research institutes).

### 3.7 Roles and motivations

The foundations in our study have various perceptions of their role. They considered themselves as having a complementary role (in addition to public/other support) as well as a substituting role (instead of/a substitute for public/other support). One foundation considered that it never plays an initiating role (the aim of starting a project with the expectation that others will take over) while two foundations considered they should never engage in competitions aimed at competing with other initiatives (while three foundations considered they should always engage in such competitions).

Paula Apreutesei, Program Director of the RAF, stated 'I think foundations can act as a stakeholder in the innovation ecosystem. They can pilot projects, they can manage multi-annual grants, they can allocate money for market intelligence, gather feedback, promote the results.'

Dumitru Panculescu, President of the Pancuantic Foundation, stated that 'Foundations are part of civil society. As an player in this context, their role is to raise public awareness about research and to use their resources to promote and enhance the results obtained by members or volunteers. Presently, Romanian foundations are kept alive by only a handful of idealists. They are in no way supported by the State. The private financial sector is rarely interested in foundations' results.'

Dr. Borbála Kovács, Senior Researcher in Social Policy at the Median Research Centre, stated 'Foundations – just like public research institutions from the Romanian Academy or research institutes affiliated with public universities – can, I think, be part of an inclusive research landscape everywhere. In the Romanian context I feel, however, that foundations are the only place where (usually foreign-educated) emerging or more established researchers with the desire to conduct high-quality, independent research (and this includes sound research ethics) can carry out their activities on longer or shorter grants. Public institutions often give the impression that they are impenetrable and inaccessible as workplaces for researchers, who – as I have said – are increasingly more dynamic (certainly those educated in established democracies, like myself, are); that they are intransparent, which makes the prospect of attracting research funds unappeal-

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33 [http://www.cdt-babes.ro/cercetare/medical\\_research\\_infrastructure.php](http://www.cdt-babes.ro/cercetare/medical_research_infrastructure.php)

ing given the risk of funds ‘disappearing;’ that they are underequipped – in material and financial terms especially; that their existing staff members are professionally rarely attractive as colleagues and/or mentors. In short, public R&I institutions – certainly in Romania – are as a whole not the locus of cutting-edge research and innovation. In that sense, foundations are often alternatives, carrying out R&I activities that already existing public institutions could also do if the staff were different (which is to say if the recruitment worked differently). In my experience, pilot initiatives by NGOs and the private sector (the for-profit sector) – whether as products of R&I activities, interventions (social, infrastructure, political or economic) or other activities aimed at providing or improving public goods (in the broad sense) – have rarely been taken on board by public agencies and institutions. I can think of numerous community development projects, educational projects, projects in the health sector, innovations in the justice system etc. that were piloted extensively, and with positive results, without any subsequent buy-in by the government and, therefore, no roll-out nationally. To put it bluntly, Romanian Ministries and subordinate government agencies have been wasting valuable know-how, scientific knowledge, innovative approaches and solutions coming from the non-profit and for-profit sectors for the last ten years at least instead of capitalising on them.

‘With public entities (whose continuity is in most cases guaranteed for longer periods of time than those of most foundations) not picking up individual foundations’ interventions, their research efforts and results, or their innovations makes fragmented efforts remain fragmented due to unavoidable informational asymmetries. Foundations – whose institutional durability is much more fragile than that of public institutions’ – sometimes carrying out high-quality R&I activities instead of well-known public institutions means that few will know about them and few are reached by the outcomes of such autochthonous R&I activities. If there is potential competition between the foundations in R&I, I don’t think that is a bad thing. My impression is, however, that Romanian NGOs doing quality work tend to develop quality relationships with other NGOs instead of unproductive ones, so long-term collaborations are more frequent than unproductive competition.’

# 4 Innovative Examples

## Innovative projects and / or initiatives that had a significant impact

The Soros Foundation Romania (rebranded in March 2014 as The Foundation for an Open Society):

The Soros Foundation Romania supports organisations and activities that focus on two main priorities: using research and advocacy to develop public policy, and implementing projects that directly engage poor communities to work together to improve their conditions and assert their rights.

The Soros Foundation has a major focus on promoting policies for enabling free access to public information to ensure that the Romanian Government meets its obligations on transparency and the accessibility of public information under the Open Government Partnership. The Foundation has been a consistent advocate for the substantial positive impact that open data policy can have for individuals, civil society, public institutions and the private sector in Romania.

Over the years, the Soros Foundation Romania's main source of funding for its programs has been the Open Society Foundation organisation. In recent years, this Foundation has diversified its sources of funding, especially by carrying out projects financed through European Union funds.

In 2012, the Romanian Association for Health Promotion and the SOROS Foundation launched <sup>[34]</sup> the project 'Research and Information Centre on Immigrant Integration,' financed by 'The General Program Solidarity and Dealing with Migratory Waves' (ref. no.: IF/11.01-03.01) from the European integration fund of third country nationals, the 2011 Annual Program.

The main goal of this project is to create and develop a Research and Information Centre on Immigrant Integration, which will be a hub for exchanging information and good practice in this field in Romania, to coordinate research, and to facilitate partnerships between organisations and experts; there are three main components:

The Research Centre – access to the latest information and to international practice for any interested institutions, organisations, professionals or researchers.

A multidisciplinary network of researchers – to go through the relevant literature regarding immigrant integration, to develop a new conceptual framework and new research tools, to do research from a multidisciplinary perspective and to monitor the implementation of integration policy – in the context of established European mechanisms – and to make recommendations for the decision-makers and authorities regarding practice, legislation and integration policy.

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34 <http://www.soros.ro/?q=en/research-and-information-centre-immigrants%E2%80%99-integration>

A network of organisations and experts – the Centre will create a network of organisations and will interact with players in this field, such as organisations involved in specific projects/initiatives, local and national authorities who are active in the relevant fields for the social integration of RTT, other public or private entities, as well as experts recognised at a European/international level. The projects will facilitate partnerships between universities, researchers and other people in Romania, as well as the exchange of good practice regarding research into immigration and integration with partners from abroad.

Specific project goals:

- To found a research and information Centre on immigrant integration.
- To create a multidisciplinary network of researchers.
- To facilitate partnerships between universities, researchers and other interested people in Romania with foreign partners; this will be done by the Research Centre as a focal point for scientific and reliable research and information on immigrant integration.
- To facilitate the exchange of good practice between universities, researchers and other interested people in Romania with foreign partners and relevant organisations, including similar centres from Member States of the E.U. To go through the literature concerning immigrant integration from a multidisciplinary perspective will be done annually by a multidisciplinary team of researchers.
- An innovative approach to the conceptual framework and the creation of new research tools on immigrant integration in Romanian society.
- To conduct a study into immigration on the basis of a new conceptual approach and of new research and developmental tools.

The Research and Information Centre on Immigrant Integration will be open to researchers, students and other relevant groups of people interested in immigrant integration. The Centre will have an adequately supplied headquarters, a website and a library. The library will be physical and virtual; it will contain materials and relevant documents from the the areas of integration, literature and specialised studies and research conducted on a national and international level.

Interactive workshops will take place between the members of the multidisciplinary team and researchers, organisations and academics from the migration field and its management (Cluj, Iași, Timișoara, Constanța, Brașov, and Bucharest). The meetings will be broadcast live and the presentations will be put online via an interactive platform.

Target project groups are represented by universities, public institutions with affiliations to the field of immigrant integration, ministries and government departments, non-governmental organisations, other organisations with any relevant experience , relevant European Union organisations, European research institutes, European organisation networks affiliated with universities or independent from EU member states, and researchers/experts at a national and international level with experience in this field.

On the other hand, the indirect beneficiaries will be the approximately 57 000 legal immigrants in Romania, through the impact of the Research Centre's activity in policy, legislation and practice in this field.

The Research Centre, through putting their materials at the disposal of the relevant authorities, universities, researchers and other social scientists, and together with the research reports put together during the project, all of this will be valuable resources for decision-makers regarding integration policy, legislation and services, and will facilitate progress with respect to models and common tools at an E.U. level.

## **The Median Research Centre Foundation - [www.openpolitics.ro](http://www.openpolitics.ro) and [www.testvot.eu](http://www.testvot.eu)**

[www.openpolitics.ro](http://www.openpolitics.ro) is a project of the Median Research Centre Foundation with the aim of providing an open platform for citizens to debate the most important topics on and public policy solutions to these issues.

It is the only online platform that includes three components: the position of the main political parties on any issues of concern (education, the economy, agriculture, etc.), a forum for discussion, and the TestVot platform, an application that allows users to test their political affinities.

[www.testvot.eu](http://www.testvot.eu) is a platform that allows users to check the compatibility between their position on a list of public policy issues (formulated by political parties ahead of elections, whether local, national or European) and those of political parties taking part in elections. In this way, voters can assess their own and their parties' positions on issues such as education, the fiscal system, pensions and social security, etc. and are able to make informed choices in elections.

## **The Pancuantic Foundation – ‘Device for Remediation in Living Spaces’**

In 2010, The Pancuantic Foundation received a gold medal for the innovation ‘Device for Remediation in Living Spaces’ at the Belgian and International Trade Fair for Technological Innovation. The atmospheric remediation consists of burning air in cold plasma and the controlled use of ozone in order to destroy harmful microorganisms and chemical compounds. Devices built using this technology eliminate impurities from the air through clean neutralisation as a result of simple and direct actions: a disrupting field, cold plasma and ozone.

The device is used for cleaning polluted air in living spaces and it reduces the risk of illness due to the bacterium ‘Legionella pneumophila.’

The ARTIE (Applied Research, Technological Innovation and Entrepreneurship) winning projects, financed by the Romanian-American Foundation include the following:

- A noise-resistant, domain-adaptable, wide-vocabulary automatic speech recognition (ASR) system for the Romanian language.
- A device to carry out air quality measurement and to help you improve your lifestyle by providing insights about how harmful your environment is.
- A new magnetic module for water treatment.
- A new method and tool for in situ high-pressure magnetic resonance spectroscopy/imaging.

- Double and single vision reading glasses manufactured using a 3-D printing process that eliminates various optical variabilities caused by current manufacturing processes.
- High-contrast gallium mirrors, a new magnetic module for wastewater treatment.
- A process for the one-step production of two different high-quality corn flours by non-expensive screening and eco-friendly chemical separation.
- The rapid detection of metal particles using giant magneto resistive (GMR) eddy current sensors.

# 5 Conclusions

## Main conclusions

The number of newly registered foundations has been declining steadily over the past few years in Romania. The reasons are high set-up costs and insufficient funding opportunities.

Out of the existing foundations, only a handful are active in research and/or innovation. Their role is marginal and their investments scarce. In fact, foundations are not even mentioned in national reports that discuss research funding opportunities. An exception to this statement is the Romanian-American Foundation, which launched the ARTIE (Applied Research, Technological Innovation and Entrepreneurship) program in 2013 with a budget of USD 1.5 million. This program is unique in Romania and represents a source of inspiration for other grantmakers.

One noticeable difficulty for Romanian foundations in accessing structural funds for research and innovation is the absence of any capital to cover the co-financing, excessive paperwork and bureaucracy for project submission and implementation.

This study also revealed a transparency issue; out of the 13 foundations taking part, only two have published recent annual reports including financial information. This does not mean that the foundations do not produce annual reports, but that they only send them to their grantmakers.

It is important to note that in Romania, private universities are established as nonprofit entities.<sup>[35]</sup> Private universities can play an important role in attracting European funds for research. One of the most important provisions of the Education Law 1/2011 with regard to university research is the classification of universities into three categories on the basis of their study programs: (1) educational universities; (2) educational and scientific research universities, or educational and arts universities; and (3) advanced research and educational universities. Nevertheless, it is worth mentioning that the University Ranking carried out in 2011 placed all private universities in the category ‘universities focused on education,’ and none were placed in the top category ‘advanced research institutions.’ The universities in the latter category receive more funding from the public education budget and are allocated more places for Master’s and PhD students (84 % of all PhD places). Only 1.6 % of PhD places are allocated to universities evaluated as ‘universities focused on education.’ These statistics demonstrate an important growth potential, as research at private universities (mostly registered as foundations) is still underdeveloped.

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35 Law nr. 88/1993, amended

In the foundation sector, community foundations have seen the most dynamic evolution (since 2008, 12 community foundations have been established in Romania and their number is increasing). Community foundations raise funds from local sources and distribute funds according to community needs. None of the community foundations have been active in research and innovation until now, but they could be in the future if their donors (individuals and private companies) put value on research and innovation and encourage decisions towards investing in R&I.

It is very clear that in recent years the political support for research and innovation has been quite low, and this has also had an impact on private interests in R&I. The new Romanian R&I Strategy for 2014-2020 plays an important role in demonstrating public commitment to research and innovation and in attracting private partners in order to fulfill national objectives.

Structural Funds will remain an important source of funding for Romanian foundations, provided that the co-funding conditions do not hinder their access.

Presently, Romania is not represented in the European Foundation Centre network.

## Recommendations

Romanian foundations can play an important role in promoting attractive working conditions for Romanian researchers. This is of key importance, considering the magnitude of the brain-drain that the country is experiencing, and considering the large number of new PhD graduates, a result of the generous financial support for doctoral schools from the Structural Funds.

Arousing foundations' interest in research and innovation requires serious and smart public policies that combine simplified access to funding, collaboration platforms, fiscal incentives and public support for public-private partnerships.

One recommendation is to design and use smart fiscal incentives for private companies and private individuals that choose to sponsor foundations. The current fiscal framework does not encourage the business sector or private individuals to support foundations in a substantive way.

Another recommendation relates to providing funding and co-funding opportunities for Romanian foundations at a European level. The European Commission can play an important role in enhancing collaboration between foundations in Europe, so that Romanian foundations are able to apply for funding provided by European foundations or to form joint-ventures on European projects with foundations from EU countries.

Another very important role of the European Commission is to provide technical assistance for Romanian foundations in order for them to be able to apply for European funds. There are very few foundations in Romania that are capable of applying directly to the E.C. financing programs, due to a lack of technical knowledge (in searching for the right funding and partnership opportunities, understanding the guidelines, project writing, budgeting, preparing the necessary paperwork, and reporting according to Euro-

pean standards). The establishment of an information bureau with experts employed by the E.C. who can provide technical assistance to foundations would make an important difference. The World Bank's Functional Review (2011) contains recommendations that can also apply to foundations:

'3. Accelerate the translation of R&D into innovation in the private sector, through strengthening the technology transfer infrastructure in universities, encouraging commercialisation of publicly funded research, strengthening the knowledge of the IP regulatory framework and its application within the legal departments of public entities and institutions, updating the intellectual property legislation in line with the General European Standards regarding Transparency and Invention Ownership, introducing a coherent and targeted program of early-stage technical and financial assistance to start-up firms applying innovations stemming from Romanian R&D.

'4. Increase the level of private sector R&D in a framework of well-defined intellectual property rights and targeted tax and regulatory actions to improve the climate for private sector RDI and attraction of R&D-intensive FDI, encouragement of IP-based start-up companies by government policies and funding, creation of a small agency specialized in nurturing and financing innovative startups and R&D projects in SMEs through a network of consultants, business and technological related services.'

Dumitru Panculescu, President of the Pancuantic Foundation, stated that 'it is necessary to have an inventory of the results obtained by foundations in research followed by a ranking based on their utility according to the development stage (fundamental research, prototype, certified prototype).' In the same interview, Mr. Panculescu stated that 'we need a national strategy for economical development in the medium and long term, at least for priority fields such as agriculture, services and the environment. Then we need a public platform where we will be able to connect the technical issues and challenges of the national economy with potential solutions coming from research and innovation.'

Nevertheless, the interviews carried out during this study revealed that research is presently perceived as an expensive activity, without the certainty of immediate, tangible results: this is one reason why foundations prefer to invest in other domains with more visibility, and which are perceived as more urgent (social programs for the disadvantaged, education in primary and secondary schools and healthcare). A national awareness campaign focused on demonstrating the importance of research and innovation in the progress of a society could be instrumental in inspiring foundations to invest in research.

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Slovakia Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Boris Strečanský

Research and  
innovation



# **Slovakia Country Report**

EUFORI Study

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# 1 Contextual Background

Philanthropic culture in Slovakia has been developing and growing, especially in the last 10 years, due to the country's significant economic growth. However, in terms of its scale and scope it somewhat lags behind its neighbours in the Czech Republic and Poland. This is partly due to historical reasons and the relatively late modernisation of society.

In last few years several interesting private foundations have emerged in Slovakia based on the initiative of high net-worth individuals – owners of very successful businesses – and focusing on strategic issues ranging from high quality education to corruption.

Slovakia suffers from high unemployment rates, high levels of corruption, incompetence in public administration, and growing regional socio-economic disparities. The agricultural and rural nature of Slovakia's population is conservative in its selection of issues and in its political and social attitudes. At the same time there is an increase in the urban, educated and well-travelled younger generation, which introduces modern global trends and attitudes, and which is another factor behind the growth and development of philanthropic giving in the last decade.

## 1.1 Historical background

Throughout early Slovak history – (which was for most of the medieval and modern eras part of the Kingdom of Hungary and the Hapsburg monarchy), foundations had a small but distinct presence, especially in the areas of education and the alleviation of poverty. There were also endowments serving private schools, hospitals or religious purposes. During the 19th century, many of the emerging Slovak intellectuals (priests, teachers, educators and scientists) in the era of National Revival benefited as recipients of scholarships and support from various public and private endowments.

During the early 20th century Slovakia witnessed the growth of a new philanthropy – in the form of entrepreneurs inspired by the new modern era, the industrial revolution and the growth of commerce and business, who started investing in philanthropic projects aimed at the alleviation of poverty, housing or the education of the poor. After World War I the golden era of associational life in Slovakia began. The democratic Czechoslovakia allowed a free rein for the growth of civil society. The rich associational life during the period 1918-1938 in Czechoslovakia also resulted in the growth of the assets of societies, associations, foundations and charitable institutions that flourished during these years (Buerkle 2004: 27). There are no records of research or science funding by these entities during this period.

The turbulence of the period 1938-1954 had a negative impact on foundation life in Slovakia, which suffered several waves of forced State nationalisation or confiscation based on political, ethnic or racial grounds. After the Soviet-backed Communist coup-d'état in 1948, the property of foundations and asso-

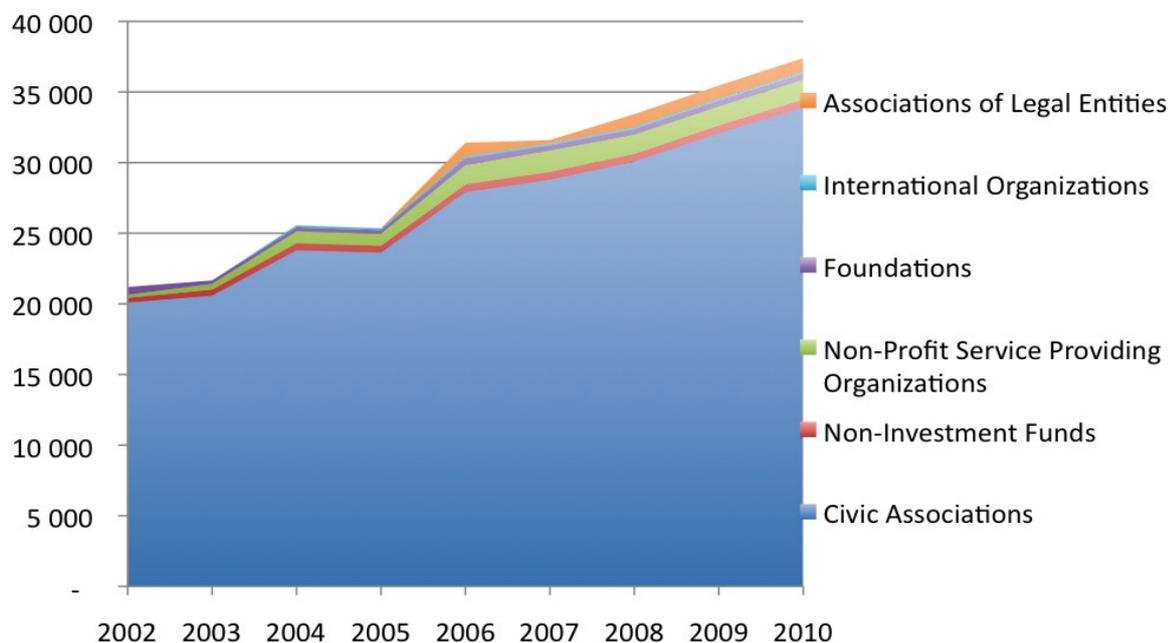
ciations was transferred to organisations loyal to the Communist Party under the umbrella of the National Front, or were taken over by the State (Dudekova 1998: ). This situation remained until 1989. The funding of science and research was completely State/government dominated due to the nature of the political system.

In 1989, after the Velvet Revolution, the nonprofit sector was revived, and there were hopes for civil society and its role in supporting the transformation of society.

Due to the fact that there was no readily-available domestic philanthropic capital during that period, there is also no evidence of domestic philanthropic support aimed at science and/or research (or to other purposes) at that time from foundation sources. After the opening of the country's borders and interaction with the developed world after 1989, representatives from the scientific and research community (as well as other professional communities) started to emulate what they saw in the West – and some of them established foundations to support whatever research field (or other fields close to their interest) they were active in. But this was not a major movement, just a handful of initiatives. The prevailing attitude and position was that research funding was the domain of the public sector. Moreover, these new foundations were without capital, and their intention was to raise funding from any possible sources including public, corporate, individual or foreign sources. As a result, most of the foundations (not just those research related) established in Slovakia between 1990 and 2000 were 'fundraising' foundations – meant as tools for raising funds, and not tools for philanthropic capital to be invested in.

The situation did not change even after the more modern and more advanced legal framework on foundations came into place in the early 2000s. This new legal framework was designed and adopted during the period 1997-2002, and helped to differentiate the legal form of foundations from other forms of nonprofit organisations, and to specify more clearly the definition of the concept of a foundation.

**Figure 1: Development of foundations and associations**



However, even after these developments, capital-based foundations (endowment-based) are still very rare in Slovakia, which is a result of various factors. The lack of fiscal incentives for endowments, the taxation context and an underdeveloped philanthropic culture being the main ones.

The general perception of the research community is that there is a very small, if any, role for private philanthropy in research funding in Slovakia. The findings of this research do not contradict this perception, but neither do they confirm its pessimistic outlook. The real contribution of private philanthropy to research funding in Slovakia is rather limited. What has been recorded is contained in following chapters of this report.

## 1.2 The legal and fiscal framework

The legal environment relevant to nonprofit activities has significantly improved since the 1990s, when the distinction between a foundation and association was not clear to the general public or to regulators. Since then, specific legislation on specific legal forms has started to be adopted. There has also been specific legislation on foundations, which was first adopted in 1997 and then again in 2002.

Under Slovak law, a foundation is a legal person; it has to be registered with the Registry of Foundations, maintained by the Ministry of the Interior of the Slovak Republic. A foundation should be a purposeful grouping of property established for the support of a public benefit purpose.

The law defines the key characteristics of foundations, and specifies clearly the key roles of foundations, which are:

- a) To provide financial and non-financial means from the assets of the foundation to third parties to fulfill a public benefit purpose.
- b) To administer its assets, including the assets of foundation funds (donor advised funds and affiliated funds to the foundation without a legal subjectivity).

The registration of a foundation is relatively easy, and the only financial requirement is a down payment of EUR 6 398 into a registered endowment. The minimum contribution of each co-founder is EUR 639. The law forces foundations to invest funds in their registered endowments with highly conservative investment instruments; therefore, many foundations keep their assets outside of the registered endowment as 'other' assets, and invest them in a more flexible investment regime. Annual reports on the foundations' activities, governance and finances have to be sent to the Ministry of the Interior every year.

Foundations are required to act as institutions that operate for public benefit. For the purpose of the Act on Foundations (#34/2002), public benefit purposes are mainly as follows: the development and protection of spiritual and cultural values, the implementation and protection of human rights or other humanitarian goals, the protection and conservation of the environment, the preservation of natural values, the protection of health, the protection of the rights of children and youth, the development of science,

education, fitness and sport, and providing humanitarian aid aiming at individuals or groups of people in mortal danger, or who are in need of emergency aid after a natural disaster.

Foundations acting for private (family) benefit (in Europe typically known as ‘family’ foundations) are not possible under the current Slovak law. However, because their founders are typically subject to private law – physical persons or corporations – foundations are also considered as being subject to private law. Any foundation that is registered in Slovakia has the same taxation and legal regime; therefore, even corporate foundations are not allowed to act outside of the public benefit framework. This is a loose framework, however, as public benefit activity is not clearly defined in the body of law and there is a broad area for its interpretation.

Foundations are not allowed to be involved in business activities, with the exception of renting out real estate and organising cultural, educational, social or sporting events, as long as its assets are used efficiently, and the activities are in accordance with the public benefit purpose promoted and pursued by the foundation. The law also requires that Board members or other officers of the foundations should not gain any benefits from the foundations’ activities or assets.

Foundations are not obliged to file an income tax return form to the the relevant Tax Authority in cases where their income is not subject to income tax. This covers income such as gifts, legacies, a 2 % income tax allocation, income from renting real estate, land, buildings and other properties, and income which is taxed at a flat rate at its source (such as interest tax from bank deposits). If a foundation receives income other than the abovementioned, it is obliged to file a tax return form. Foundations that receive more than EUR 3 319 from their 2 % tax allocation are obliged to submit a detailed summary of the amount and use of these funds for publication in the Official Journal.

Every foundation has to report any changes in its byelaws, in the composition of its decision-making bodies, in the sources of its funds, or in the description of the recipients of support to its registration body.

The Slovak legal framework includes yet another form of a not-for-profit entity that resembles a foundation: the non-investment fund.

Non-investment funds were introduced in 1997, together with the law on foundations. Their purpose was to complement the foundation legal form with a somewhat ‘lighter’ structure. Historically, non-investment funds resemble so-called ‘funds’ that are assets intended for spending for public benefit use in full. This is in contrast to ‘endowments,’ which are intended to be set aside as assets in perpetuity. Essentially, non-investment funds are foundations without an endowment.

Their legal form almost copies that of foundations, apart from its stipulations related to asset management and some other details in terms of governance, registration and liquidation. The existence of these funds reflected the low levels of capitalisation in the post-Communist environment, and the recognition of the fact that many initiatives for public benefit first need to raise their funds. As a result, non-investment funds were typically established with a particular purpose in mind, and their activities were oriented to-

wards raising the assets needed for supporting their public benefit purpose. One particular advantage of non-investment funds was that they did not need to ask for permission to organise public fundraising, as opposed to other legal forms which were required to obtain State permission before doing so.

The existence of non-investment funds has been to some extent called into question by the introduction of 'foundation funds' in the law on foundations in 2002. Foundation funds are funds without a legal subjectivity, which are administered by the host foundation. Their closest terminological relative in European foundation nomenclature would be 'trusts.'

A major factor influencing the behaviour of foundations in Slovakia is the so-called 'percentage tax,' 'percentage philanthropy' or 'the 2 % tax' system.

The percentage tax concept emerged in the public policy debate in the late 1990s and materialized first in Hungary (1996), later in Slovakia (2001), Lithuania (2002), Poland (2003), Romania (2005) as a decentralized financial mechanism that grants a right to a taxpayer to designate 1% or 2% of paid income tax for public benefit purposes to a non-profit, non-governmental organization or other type of public benefit entity (church, trade unions or public institutions).

The 2 % tax mechanism has been a controversial system from its start in 2002. It has been very widely praised, but also criticised. NGOs do not consider it ideal, but since no other alternative model is available in Slovakia (e.g. tax write-offs for charitable gifts), they accept the current one. It should be noted that when this tax assignment came into effect in 2002, the parliament abolished the 'traditional' tax incentives for taxpayers. This was happening at a time of major tax reforms, decreasing tax rates and a simplification of the tax collection system.

The 2 % system influenced many relationships that have emerged since then between the government, business and nonprofits. For example, once it became available for corporate taxpayers, the number of foundations established by corporate entities started to grow. Between 1990 and 2001 only 23 corporate foundations were registered in Slovakia. From 2002 to 2007, 58 new corporate foundations were established. Many bore the same name as their founder. In 2012 there were up to 90 corporate foundations, making up 20 % of all foundations.

The law requires that the 2 % tax funds need to be used by the end of the year following the year when the funds were given to the recipient. This condition has contributed to the proliferation of different grant-making programs organised by various corporate foundations, which are an effective way of spending resources through a competitive and open process. The weak and unstable financial environment and the lack of independent funding form an equally important barrier that increases the financial dependence of NGOs on public resources.

As of 2015 the tax code allows tax deductions for costs related to research and innovation (it is called a "super deduction of costs"). Organizations that perform research activities may deduct from their tax base 25% of research related costs as well as 25% of labor costs of employees who are less than 26 years

and graduated university in less than 2 years ago. Contributions to non-profit organizations that perform research activities that are accredited at the Ministry of Education as research organizations would also be eligible within this incentive. Details on implementation of this new instrument are being clarified.

### 1.3 The foundation landscape

In 2012, there were 942 foundations registered in the Registry of Foundations, which is maintained by the Ministry of the Interior. Out of them, 727 were active and 215 were in liquidation. Out of the 727 active foundations, 85 are corporate foundations, 10 are community foundations and the rest are either independent or single-purpose foundations.

Despite there being no umbrella association of foundations, there are three affinity groupings that organise specific foundations around their particular interests: the Donors Forum (established in the mid-nineties), which brings together major independent grantmakers (not just foundations, but also other entities – non-investment funds and associations), the Association of Community Foundations, which brings together a specific group of community foundations, and the Association of Corporate Foundations, the youngest alliance, established in 2013.

The most important feature of foundations in Slovakia that should be mentioned first, is that their own **assets are very low** (EUR 80.9 million), and their operations are often funded from foreign or domestic public sources, or from private corporate sources that flow through them. This conclusion can be drawn from an analysis of the annual reports of all the foundations submitted to the Ministry of the Interior every year. This survey and analysis is conducted annually by the Center for Philanthropy, and its results are published on its webpage <sup>[1]</sup>.

Other results that can be derived from the data from the survey of the Center for Philanthropy are that the Slovak foundation sector's assets are growing very slowly, at a rate of slightly more than 1 % per annum. The total assets of all Slovak foundations in 2012 was EUR 80.9 million, which was EUR 1 million more than in 2011. The revenue generated from the assets of foundations (such as income from endowments or from renting real estate) is negligible in terms of the income structure of foundations (survey of the Center for Philanthropy).

The public profile of foundations is not very strong compared to some other nonprofit organisations (activist, campaign or charity-based). The most visible are possibly the corporate foundations that often use the large-scale communications systems of their founders to get the attention of the broader public.

The main types of foundations' income are financial contributions from institutions (domestic, foreign and EU funds). These make up almost half of the foundations' income (46 % in 2012). The second most important type of income is the income from the percentage tax. Legal persons perhaps allocate up to 2 % of their tax duty to a particular nonprofit organisation that is on the list of recipients of this mechanism. In 2012 the share of this income in the total income of foundations was 33 %. The third most important type

1 <http://www.cpf.sk/sk/rebricek-nadacii-2012/>

of foundations income is from individuals. The income from individuals represented in 2012 up to 15 % of all income. Other sources of income are less important in the income structure of foundations. -tabel1

**Table 1: The income structure of Slovak foundations according to source in Euros.**

Income	2011	2012	% (2012)
Contributions from organisations	16 904 600	16 977 764	46 %
‘Percentage tax’	11 369 327	12 319 256	33 %
Contributions from individuals	4 287 931	5 043 607	14 %
Governmental subsidies	2 203 974	1 514 208	4 %
Gifts	396 000	840 332	2 %
Revenue from assets	151 672	175 364	0 %
Public collections	193 554	163 851	0 %
<b>Total</b>	<b>35 509 069</b>	<b>37 036 394</b>	<b>100 %</b>

Source: Ministry of the Interior, annual reports of foundations, compiled by the Center for Philanthropy, 2013)

There are no hard data available on the Slovak foundation sector as such, which would address the subject area of their support. There are data, however, that address this issue indirectly and partially.

One source of these data is the Association of Corporate Foundations, <sup>[2]</sup> which administers a survey of 50 active corporate foundations on their areas of support. The data describe their priority allocation areas as follows: culture and education, followed by sports and health.

Another indirect source of data is a data set provided by the database ‘Slovstat,’ which covers the orientation of gifts and grants provided by all non-revenue generating entities (including foundations, nonprofit organisations, associations, chambers etc.). <sup>[3]</sup> The data here are organised by NACE (Nomenclature Statistique des activités économiques dans la Communauté Européenne) according to their classification; the largest amounts of all the grants and contributions go to the areas of social care and assistance, followed by the activities of interested organisations, the activities of member organisations, and education.

Based on these indirect sources it can be estimated that in terms of the proportional allocation to various public benefit purpose areas, foundations in Slovakia allocate their support primarily to education, culture, social care, health protection and the prevention of disease.

Most of the foundations in Slovakia, regardless of type, operate from flow-through funds, and not from the income from their assets. This fact, combined with the lack of endowments and long-term assets of foundations, decreases the prospect of perpetuity in this sector, which in turn contributes to the short-term approaches in the practice of institutional philanthropy in Slovakia today. Foundations focus on short-term, visible and practical needs that best match the expectations of the flow-through type of financing, which expects to see the soon and visible results. For example, the percentage tax law requires

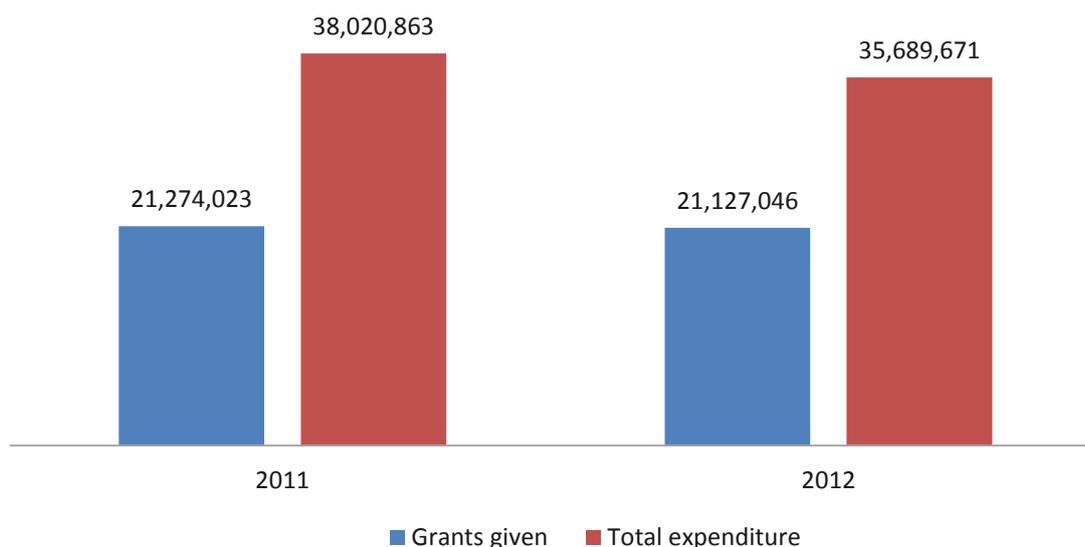
2 [www.asfin.sk](http://www.asfin.sk)

3 Slovstat - maintained by the Statistical Office of Slovak Republic. <http://www.statistics.sk>

that the income received by a foundation (or other non-profit recipient) through this source should be spent within 18 months of its arrival.

In terms of expenditure, in 2012 in Slovakia foundations gave out grants and gifts with a total value of EUR 21.1 million, which was similar to 2011, but was EUR 11 million less than in 2010. The total expenditure of Slovak foundations in 2012 was over EUR 35 million. -figure 2

**Figure 2: Grants vs. total expenditure of Slovak Foundations, 2011-2012, in Euros.**



Source: Ministry of Interior, Annual reports of foundations, compiled by the Center for Philanthropy.

32 of the largest grantmaking foundations shared up to 84 % of the total sum given for public benefit activities or for help for the needy. For several years, the largest grantmaking foundations in Slovakia have been the Habitat for Humanity International Foundation and the SPP (Slovak Gas Industry) Foundation.

Significant institutional forms of philanthropy in Slovakia are community foundations and independent foundations. These are mostly fundraising foundations that raise support from individuals and corporations and re-grant their funds for various purposes that reflect a combination of needs for both the short and long term. These foundations build on the experience and knowledge brought into Slovakia during the 1990s by private philanthropic institutions such as the Mott Foundation and the Rockefeller Brothers Fund, and others who supported the growth of indigenous grantmaking capacities in the post-Communist countries.

A special foundation sector is that of corporate foundations, which emerged along with the extension of the 2 % tax assignment to corporate income taxpayers (see Section 1.2. Legal and Fiscal Framework ).

In terms of non-investment funds, which are the second relevant legal form included in the EUFORI Study in Slovakia, there are considerably less available data on their activities and profiles compared to foundations. In 2013 there were 595 non-investment funds registered with the Registry of Non-Investment Funds

maintained by the Ministry of the Interior, <sup>[4]</sup> of which almost 100 were going through a process of liquidation. The number of non-investment funds has almost doubled in last 13 years.

Non-investment funds provide contributions and gifts for different public benefit purposes. However, compared to foundations, their specific contribution is 10-20 times smaller. -tabel2

**Table 2: Grantmaking of non-investment funds and foundations in Euros 2005-2012.**

	2005	2006	2007	2008
Non-investment funds	1 052 317	1 242 148	1 433 961	1 645 695
Foundations	13 535 015	23 026 920	21 668 160	26 743 112

	2009	2010	2011	2012
Non-investment funds	1 666 053	1 211 170	1 049 216	1 661 941
Foundations	22 226 226	20 201 239	15 816 409	18 748 031

[5]

## 1.4 Research/innovation funding in Slovakia

Slovak R&D has a long tradition, and the results in some areas are considered world-leading (for example, the Slovak School of Quantum Structures in Mathematics, or research into supraconductivity at the Institute of Experimental Physics). Since the Velvet Revolution in 1989 Slovak science has been underfunded, and even the EU Structural Funds have not changed this fact, although they have contributed towards some improvements.

International comparisons such as OECD Science and the Technology and Industry Scoreboard 2013 show that the Slovak Republic ranks well below the European 28 and OECD averages (1.94 % and 2.37 %, respectively) in terms of the share of R&D expenditure of the GDP (0.63 % in 2011) . Recommendations by the EC, OECD and others suggest that Slovakia should increase the amount of resources invested in R&D to reach 1.20 % by 2020. <sup>[6]</sup> Slovakia has a similar ranking on indicators reflecting the quantity and quality of scientific production measured by the number of publications or the percentage of top-cited publications (Report on the State of R&D in Slovakia, 2012).

4 <http://www.ives.sk/registre/starttrnf.do>

5 <http://www.slovstat.sk>, on-line statistics, Statistical Office of Slovak Republic, [http://www.statistics.sk/pls/elisw/objekt.send?uic=3806&m\\_sso=4&m\\_so=73&ic=19](http://www.statistics.sk/pls/elisw/objekt.send?uic=3806&m_sso=4&m_so=73&ic=19)

6 OECD (2013 'R&D,' in OECD, OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth, OECD Publishing. doi: 10.1787/sti\_scoreboard-2013-13-en. See also the Position of the Commission Services on the development of the Partnership Agreement and programs in SLOVAKIA for the period 2014-2020 ([http://ec.europa.eu/regional\\_policy/what/future/pdf/partnership/sk\\_position\\_paper.pdf](http://ec.europa.eu/regional_policy/what/future/pdf/partnership/sk_position_paper.pdf)) or the Europe 2020 Strategy - [http://ec.europa.eu/europe2020/pdf/themes/15\\_research\\_\\_development.pdf](http://ec.europa.eu/europe2020/pdf/themes/15_research__development.pdf).

In last twenty years there have been many efforts aimed at developing policy documents and development strategies aimed at boosting R&D, but none of them so far have been able to serve as an inspiring document for change in the sector. The most recent one (November 2013) is the Strategy of Intelligent Specialisation (Through Knowledge to Prosperity – the Strategy of Research Innovation for Intelligent Specialisation of the Slovak Republic). An Action Plan is currently being formulated. These documents will be the key navigation for the use of the 2014-2020 ERDF funds within the Operational Program Research and Innovation.

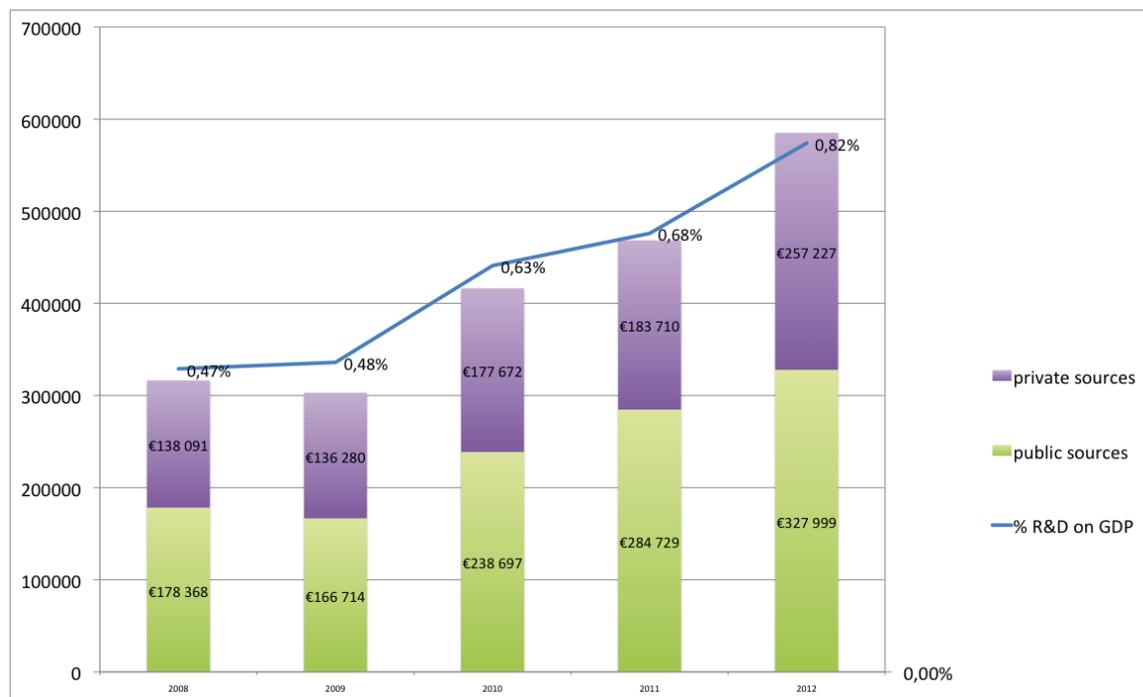
Support for R&D is organised through various legal, financial and institutional instruments. These include national (government) support programs, the Slovak Research and Development Agency (Agentúra na podporu výskumu a vývoja), State aid in the form of subsidies for scientific and technical services granted to entrepreneurs and businesses for the support of R&D, and the EU Structural Funds, which were the most important source of R&D funding during the period 2007-2013. There are also incentives (stimuli) for research and development to encourage businesses to invest and use more research, and to increase their investment in R&D.

R&D funding in Slovakia comprises two significant trends:

- a) The dominance of the public sector.
- b) An increasing number of foreign resources from the EU Structural Funds (60 % of all foreign funding).

R&D capacity and research potential in Slovakia is located primarily in the public sector, where two thirds of all the funds for R&D are spent. The most important role in research is played by the Slovak Academy of Sciences and other sector research institutes. The Slovak Academy of Sciences is a self-governing research institution of the Slovak Republic. Its activities focus on the development of science, education, culture and the economy, and are carried out by scientists and specialised and service organisations. The SAS is funded by the State budget with the amount of EUR 60-75 million per year. The proportion of business investment in R&D is around 0.34 % of the GDP (Eurostat, 2014). There are two possible reasons for this situation. During the privatisation of big enterprises, the R&D departments were separated and isolated from each other in terms of their practices. The foreign companies operating in Slovakia usually conduct research and development activities in their home countries. Business R&D expenditure is around EUR 175 million per year, of which EUR 18 million (10 %) is from the national sources mentioned above. In the area of financing innovations, Slovakia has been lacking the use of venture capital due to insufficient competitiveness. In 2010, the amount of invested venture capital was 0.03 % of the Slovak GDP

**Figure 3: R&D expenditure 2008-2012 (in thousands of Euros and as a percentage).**



Source: Správa stave výskumu a vývoja v SR za rok /Report on the State of Research and Development in Slovakia for 2012)

After the long transformation period during the 1990s, the so-called sectoral research institutes (affiliated to public sector companies or governmental agencies) transformed into private for-profit companies. Today there are around 240 companies doing business in the R&D field.

Some of them decided to transform into a not-for-profit legal form – these were typically nonprofit organisations or the Interest Association of Legal Entities (a special legal form of nonprofit organisation that has a legal entity status).

As a result, today R&D is primarily located in the business sector, followed by the public sector, universities and then the nonprofit sector.

Nonprofit research organisations are obliged, according to the law, to reinvest their profits into their mission-related activities and cannot distribute them to their employees, officers or founders.

**Table 3: R&D expenditure in thousands of Euros according to sector**

	2006	2007	2008	2009	2010	2011	2012
Business sector	115 250	111 788	135 709	124 376	175 245	174 145	241 978
Public sector	87 690	99 926	103 803	102 699	124 752	129 575	143 515
Universities	64 516	70 641	76 762	75 833	115 081	163 712	199 132
Nonprofit sector	194	274	185	86	1 291	1 006	599

[7]

Nonprofit R&D organisations have not been fully recognised by the official R&D support institutions as eligible recipients of governmental funding or participants in R&D programs. This has resulted in the absence of institutional cooperation between the public sector and the third sector in the area of R&D. However, the low level of inter-sectoral cooperation in this field is also partly a result of the low share of R&D activity conducted by the nonprofit sector compared to other sectors.

There is also a problem related to the statistical reporting of expenditure on research and development. Research activities are reported as partly business and partly public according to the background of the organisations' founders or members, so the real nonprofit sector's R&D contribution may be hidden behind these statistics.

In 2012, the Association of the Non-profit Research Organisations (Združenie výskumných organizácií neziskového sektora, ZVONS) was established with the aim of representing the nonprofit sector organisations that are active in R&D within all fields of science and technology, and of promoting their interests in the development of the science policy of the Slovak Republic and the EU. Members of the Association are non-profit organisations and associations active in technology, but also in management and social science research. The association's activities include participation in State research, in the development of educational policy, in international cooperation in the area of R&D, and in educational activities in the area of innovation management.

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7 The Ministry of Education, Science, Research and Sport of the Slovak Republic. Source: Statistical Office of the Slovak Republic.

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The goal of this study is to map out of the situation of foundations supporting R&I in Slovakia. For the purposes of this study the research team decided to define as ‘foundations’ not-for-profit foundation-like institutions which:

- a) Provide financial support for R&I to third parties.
- b) Implement their own R&I programs and projects.

The relevant legal forms that meet the above characteristics in Slovakia include foundations, non-investment funds and not-for-profit organisations providing publicly beneficial services.

The first decision and step to be made was the development of the set of organisations that meet the above characteristics and that forms a basic population for the further data collection. The Research team decided to include two types of legal form in the set:

- a) Foundations.
- b) Non-investment funds.

These two forms meet best the condition of ‘supporting’ the R&I of other entities – private or public – and meet the criteria set by the EUFORI Study scope. Namely, these legal forms are closest to the common criteria of what most legal entities considered as foundations meet, which is not membership based, serving a public-benefit purpose, supporting/operating R&I as its significant focus, being independent from the government and self-governing, and, finally, being asset-based.

The team developed a list of foundations and non-investment funds that support or operate R&I programs and projects.

The list was put together by following three steps:

- 1) The first step was the collection of data from the Central Registry of foundations and non-investment funds, which are kept at the Ministry of the Interior of the Slovak Republic, and are available online<sup>[8]</sup>. Both registries are public lists, which include information on the legally required information on foundations and non-investment funds such as their name, seat, purpose and so on. The category of ‘purpose’ played a crucial role in putting together the list.

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8 <http://www.ives.sk/registre/start.do>

2) The second step was a formal check of the foundations' self-declared R&I activity through checking the occurrence of key words related to R&I activity in the statements of purpose of these entities available in the Central Registry. Only those foundations and non-investment funds were selected whose defined purpose explicitly stated the combination of words 'research,' 'science' and 'innovation.' During the second iteration the list was supplemented by those entities (foundations and/or non-investment funds) that stated their purpose as also supporting research indirectly – namely supporting the mobility of research workers, knowledge transfer, the promotion of science and research, research infrastructure, and the promotion of results and information about research and scientific communication.

3) At the third step, the team conducted a factual check on the consistency of the foundations' self-declared orientation towards R&I through the reporting of these activities in their annual reports and websites.

This resulted in a final set of entities selected for the EUFORI study in Slovakia, which was composed of 71 in total, 60 of which were foundations and 11 were non-investment funds. This set was considered by the research team as a sufficiently representative sample of the nonprofit research organisations supporting R&I.

As far as the representativeness of the sample of the whole foundation or non-investment fund sector is concerned, in the opinion of the research team, the basic set was sufficiently accurate and comprehensive as far as the Slovak foundations supporting the R&I environment is concerned.

## 2.2 The survey

In our effort to obtain the most objective data on support for R&I, all 71 foundations and non-investment funds were approached to participate in the survey. The organisations were approached by a letter addressed to its statutory representative or executive director. The letter requested that they complete the online questionnaire, and explained the reasons for and context of the research. 43 organisations were approached by email and 28 organisations were approached by regular mail. The letter included the text provided by the coordinators of the research in Amsterdam, having been translated and adapted to the Slovak context. There were no additional letters of endorsement attached.

To increase the response rate, the above request was sent repeatedly in cases where there was no reply. Overall, there were three different requests sent to non-responding organisations. With the third iteration, the research team also used telephone calls as well as email and ordinary surface mail.

From the total sample of 71 organisations, 13 foundations and 4 non-investment funds responded. In total 17 questionnaires were completed. Overall the response rate from the total set was 23.94 %.

In order to complete the information collected through the questionnaire, which was rather scarce, additional research was conducted by the research team using web searches and looking through the websites of foundations and non-investment funds, as well as other web-based resources (registers of foundations and non-investment funds).

## 2.3 The interviews

After the data collection through the online questionnaire for the quantitative survey, the research team started to collect the qualitative data using semi-structured interviews with selected organisations.

From the basic set of organisations we selected three organisations: the Intenda Foundation, the Ekofond non-investment fund and the Foundation for the Cancer Research, all of which provided relevant information in the online questionnaire. For the semi-structured interviews we also included two other organisations that were not part of the basic set; the interviews with them served the purpose of the R&I context and background research: the governmental Agency for Support of Research and Development (APVV) and the non-governmental Association of Non-Profit Research Organisations (ZVONS). It was expected that these organisations would be able to provide additional information on the context and on the non-profit organisation sector in terms of its relationship to R&D. The data collected from these interviews were included in the analysis part of the study.

The criteria for selection of these organisations were to obtain a broader picture of the diversity in the R&I field, and of the role and focus of foundations and non-investment funds in the area of R&I in order to get a better understanding of the foundation sector and its specific contribution to R&I, as well as to complement the data obtained through the online questionnaires.

The relevant representatives of these organisations (a statutory representative, president or director) were approached as interviewees. The interview questions focused on the background of each organisation; its establishment and the motivations of the founders. Also covered were the issue of funding of R&I, the role of the nonprofit sector and foundations in particular in supporting R&I, and the barriers and limitations that prevent a more significant role for nonprofit sector/foundations to support R&I in Slovakia. The interviews also touched on the issues of the future activities of the responding organisations in the field of R&I. Overall, five interviews were conducted during the period November-December 2013.

# 3 Results

As mentioned above, out of the 71 organisations we approached, 17 provided responses.

The basic information from the questionnaire can be considered to deal with the issue of whether the responding organisation supported/implemented activities in the area of R&I from 2005 to 2012. Six organisations were involved directly or indirectly in research and research-related activities, and five organisations were involved in both areas of research and innovation. Overall, 11 foundations and non-investment funds confirmed their support for and participation in R&I activities and programs in 2005-2012.

## 3.1 Types of foundation

Five organisations identified themselves as grantmaking, one as operational and three as both grantmaking and operational. In two cases there was no answer.

For only two respondents were research and innovation their main activities. The rest only partially support or participate in R&I.

Also, most (10) of the responding organisations are of private origin – their founders were either private individuals or institutions from the private sector. However, there is a certain ambiguity in the classification of these organisations as to whether they are private or public. This is because the nonprofit organisations are sometimes classified as public sector institutions. For example, the foundations are subject to the Freedom of Information Act, which applies to all public institutions. This is due to the declared public benefit nature of these organisations. On the other hand, some of the nonprofit organisations that provide generally beneficial services operate according to a business model that resembles traditional commercial business, with the caveat that the profits cannot be distributed to their founders, and that the organisation is mission driven. This ambiguity is presented in the quote below:

*‘Sometimes these organisations are classified as public institutions, sometimes as the business sector. A detailed effort (in researching the situation) is needed to figure out what the real role is of nonprofit organizations in operating and performing the research.’*

*(Interview 1)*

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Several respondents independently stated that the presence of nonprofit organisations and foundations in research and innovation in Slovakia is low, and even do not see it continuing in the future, given its marginal size and scope.

*I perceive the role of the nonprofit sector and foundations in support of research and development in Slovakia as very close to zero. And I do not think that the role of the nonprofit organisations and foundations in support of R&I in Slovakia is inevitable.'*  
*(Interview 2)*

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This view is also supported by a second look at the annual reports and websites of the 11 responding foundations and funds. Only one of them supports research as its main activity. All the others support research and innovation only partially. Their focus of support is typically on awareness raising, prevention, formal and non-formal education and so on.

However, recently there have been signs of renewed activity in this area. In 2012 the Association of the Research Institutions of Non-Profit Sector (ZVONS) was established, which includes 10 nonprofit organisations dealing with science and research with the aim of promoting the interests of nonprofit organisations in delivering research, of communicating with the government, and of increasing the influence of nonprofit research institutions in public policy on research and science. None of its members, however, support R&I. All of them carry out research activities or provide research services funded through third party sources (government or business).

## 3.2 The origins of Funds

### 3.2.1 Financial founders

Through surveying external sources it can be concluded that six of the eleven responding institutions were founded by individuals and five by organisations, of which two were business enterprises. The organisational founders of the responding organisations consisted of business entities (2), a university (1), a research institute (1) and a nonprofit organization (1).

In terms of financing, the distinction between individual and organisational founders was significant. The organisations that were founded by business enterprises benefit from their contributions. This is not the case for organisations founded by individuals.

Individuals as founders should be understood, not as potential donors or sources of funding, but more as enthusiastic and visionary leaders in their fields who took the initiative and established the fund or foundation with the idea of raising support for its activities in the future. However, these individuals would also

take up leadership positions in public research institutions, and the established foundations would work in close collaboration with them.

*‘...establishing the foundation was a response of leaders of the research institute to the dire situation in the area of funding of research.....but later on they realised that raising funds is not such an easy activity....’*

*(Interview 3)*

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The situation was different when the founders were business enterprises – there were two cases, both with their founder also acting as the principal donor providing their funding. For example, the 2 % tax regulation has also been used as a major source of funding for the SPP Foundation, which partially supports research. Contributions from a private company were the only source of funding for the EkoFond n.f., which also partially supports research.

In terms of strategy setting, the founders play a relevant role. The funding strategy is typically set by the founder in combination with the Board of Directors (where a representative of the founder has a place). This is also confirmed by the data from the survey, where two organisations mentioned that setting an annual strategy is the Board of Directors’ responsibility, and one organisation suggested that strategy development and setting is the responsibility of the founder and the Board of Directors.

The interviews suggested that in terms of strategy setting, foundations and non-investment funds perceive high quality management as a decisive factor playing an important role in the form of the sustainability and potential of an organisation, even in comparison with other organizations supporting the R&I.

*‘We manage them (universities) to produce results that have practical relevance. They (recipients of research support, universities) are enthusiasts and they tend to play with it (research). Our emphasis was on ensuring the applicability of the research results and on the application of project management tools that they are not used to – such as the monitoring of budgets and performance etc.’*

*(Interview 4)*

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Several respondents mentioned the influences of their founders on the program portfolio and strategy setting of the foundation as a major factor – but in general, not only on R&I-related activities. For example, the founder of one foundation is a corporation which is half-owned (but not controlled) by the government, and half-owned and controlled by a private entity. Clearly the complexity of the relationships of the founder would have an effect on the activities of the foundation.

Similarly, in another case there are three founders in one foundation, of which two are interest associations and one a governmental agency. The nature of the relationships between the founders is reflected at the level of the Board, which is composed of representatives of the founders and which in turn reflects the strategy setting of the foundation.

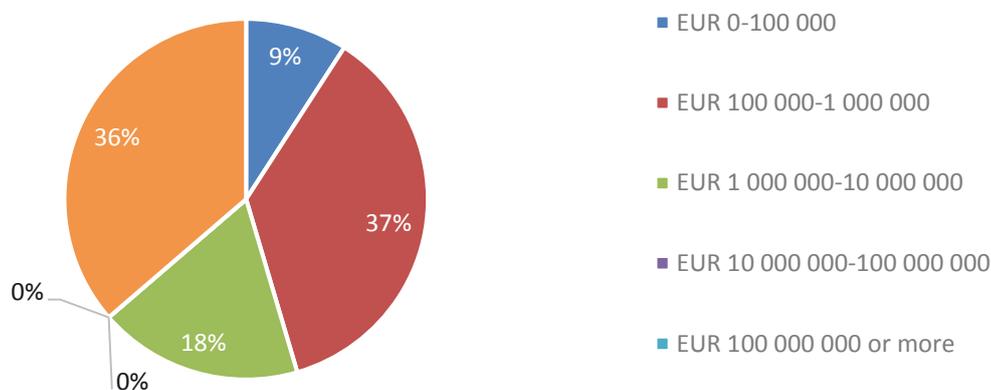
### 3.2.2 Income

In terms of the total income of the organisations in 2012, seven respondents covered this issue, one did not know, and two organisations did not want to provide answers. In one case this question was not answered at all.

Overall, the income of the organisations who participated in the survey is very diverse – ranging from a very small income to one of the largest incomes out of all the foundations in Slovakia.

**Figure 4: Total income according to category in Euros, 2012**

As a percentage of the total number of foundations (N=11)



#### Statistics income

Number of foundations	7
Mean in Euros	915 711
Median in Euros	277 580
Total income in Euros	6 409 980

When comparing this distribution to the general landscape of foundations in Slovakia, the foundations in this survey belong to the medium or large category of foundations. This can be concluded by comparing them with the overall list of foundations according to the amount of income (CpF research, the Annual Reports of Foundations for 2012 at the Ministry of the Interior) – except for one, all fall into the top 40 foundations in terms of income.

When specifying their sources of income for 2012, the organisations could choose from many options (revenue from endowments, gifts from private individuals, gifts from corporations, income from public sources, income from the sale of assets) and include more than one source as being relevant. Overall 26 responses from 9 organizations were recorded (see Table 4).

The main source of income for foundations and non-investment funds in 2012 was primarily in the form of revenue from their assets (endowment) or from gifts and contributions from other private companies. This is followed by public service provision or subsidies from the government, income from the 2 % tax regulation, and finally gifts and contributions from private individuals and other nonprofit organisations.

The lowest source of income was from the sale of products or services, or revenue from foundation activities and events. This due to the limitations of the law on foundations that generally bans any income-generating activity, apart from a few exceptions.

**Table 4: Sources of income**

		Frequency	Percentage
Valid	Endowments	6	23.1
	Donations from Corporations	5	19.2
	Income from government	5	19.2
	2 % Tax (Percentage Tax) <sup>3</sup>	3	11.5
	Donations from individuals	3	11.5
	Donations from other non-profit organisations	2	7.7
	Service fees, sales	1	3.9
	Other activities	1	3.9
Total		26	100

### 3.2.2 Assets

As mentioned in Chapter 1, foundations in Slovakia have relatively low assets. Only 12 foundations in 2012 had assets over EUR 1 million, with the biggest reporting assets of EUR 10 million (Centre for Philanthropy Research, Annual Reports of Foundations for 2012 at the Ministry of the Interior).

On the issue of overall assets for 2012, seven organisations (see Figure 4) responded and one respondent did not want to answer.

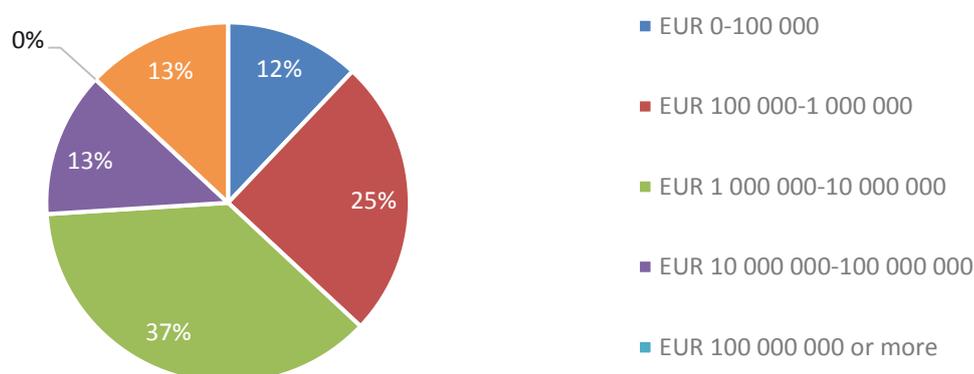
The total value of assets of the organisations that responded was EUR 19 303 087.

### Statistics assets

Number of foundations	8
Mean in Euros	2 757 584
Median in Euros	2 397 775
<b>Total assets in Euros</b>	<b>19 303 087</b>

**Figure 5: Total assets according to category in Euros, 2012**

As a percentage of the total number of foundations (N=8)



The foundation with the largest assets (EUR 10 203 902) is the Intenda Foundation, which was co-founded by the Ministry of Education, the Association of Students of Universities and the Youth Council of Slovakia; its assets are the converted assets of the former Socialist Union of Youth. The Intenda Foundation also partially supports research through the support of PhD students and their scholarships. However, its main focus is the development of youth potential in general.

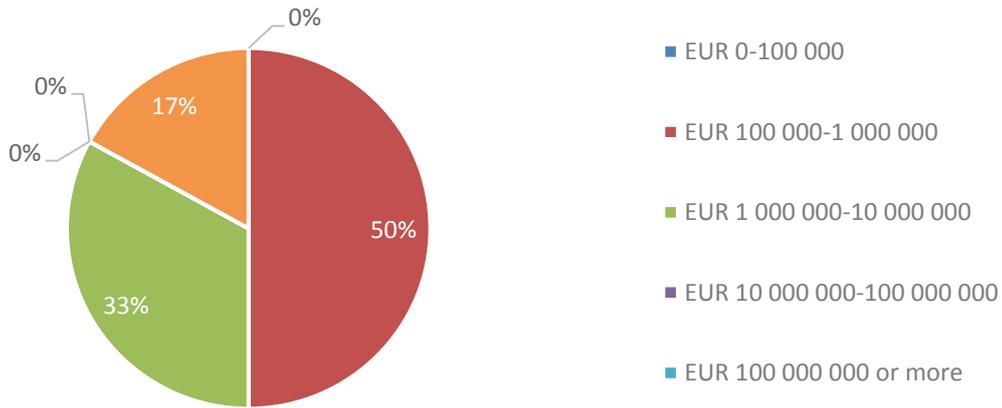
Other R&I foundations in the sample also reported relatively high assets in the Slovak context, which again supports the conclusion that support for R&I is the domain of larger foundations.

## 3.3 Expenditure

### 3.3.1 Total expenditure

The overall expenditure in the survey is quite diverse – ranging from EUR 120 000 to EUR 3.1 million. To interpret this diversity, it is necessary to compare it with the typical expenditure of Slovak foundations. When doing this, the surveyed sample fell into the top 35 foundations in terms of the size of their annual expenditure, except for one organisation, which was well below this level (CpF research, Annual Reports of Foundations for 2012 at the Ministry of the Interior). Based on this research into their annual reports, only eight foundations in Slovakia had an expenditure higher than EUR 1million (2012). Thus, the R&I foundations in Slovakia belong to the category of larger foundations.

**Figure 6: Total expenditures according to category in Euros, 2012**  
As a percentage of the total number of foundations (N=6)



**Statistics expenditure**

Number of foundations	6
Mean in Euros	1 477 746
Median in Euros	977 638
<b>Total expenditure in Euros</b>	<b>7 388 729</b>

However, as mentioned above, almost all the Slovak R&I foundations only partially focus on R&I.

What does this mean in reality? For example, according to the EkoFond’s Annual Report , its total expenditure in 2011 was EUR 2.05 million. Out of this expenditure, EkoFond provided support for R&I projects (focusing on applied research in the area of technologies based on natural gas ) of EUR 0.2 million, which is 10 %. In the cases of other large foundations – such as the SPP Foundation or the Ekopolis Foundation, the percentage of their total expenditure on research was 3 % or 5 %, respectively.

At the other end of the spectrum are the Foundation of Brain and Spinal Cord Injuries or the Cancer Research Foundation, which invest 75-100 % of their expenditure in research. These cases are exceptional, and they fall into the category of smaller foundations in terms of the size of their expenditure.

**3.3.2 Research and Innovation**

Based on the type of research (whether basic or applied research), the organisations can be divided into three categories:

- a) Foundations supporting basic research, for which the responding organisation earmarks 100 % of its available financial resources (the Foundation of Brain and Spinal Cord Injuries ).
- b) Foundations supporting both basic and applied research, with a prevalence for various aspects of basic research, towards which the organisations target most of their available

finances for R&I (the Cancer Research Foundation provides 80 % of its financial resources for this purpose, and 20 % is provided to support applied research).

c) Foundations supporting only applied research (for example EkoFond allocates 10 % of its annual expenditure to applied research, or the Intenda Foundation supports applied research with 25 % of its funding. Also the Ekopolis Foundation provides up to 10 % for applied research.

It can be concluded that the Slovak foundations' actual expenditure going to R&I is significantly lower than their nominal expenditure, and R&I is supported mostly by larger and medium-sized foundations.

The support for R&I projects is conducted primarily through grantmaking, awards or prizes. Specific examples are quoted in Chapter 4 – Innovative Examples.

### 3.3.3 Changes in expenditure

Two of the responding organisations claimed their future expenditure on R&I will not change significantly from their past expenditure. The data obtained from the interviews confirm this assessment. In one case the responding organisation mentioned that in the future, the management of the organisation will not continue its programs supporting research and innovation. No specific reasons were attributed to this statement. In another case, one organisation mentioned that the future of the programs aimed at R&I depends on the willingness of the management of the organisation and on the possibility of participation by other partners (universities and other research institutes).

In the case of one large foundation whose founder is a business enterprise, their future changes in expenditure will be influenced by changes in the legal and fiscal context related to the 'percentage tax,' which is an important and almost the sole source of their funding.

## 3.4 Focus of support

### 3.4.1 Beneficiaries

The question of the identification of beneficiaries in the survey was answered by six organisations. Five organisations did not provide an answer. Given the low number of respondents, the distribution of responses was very diverse.

Some respondents reported they focus solely on one sector (for example public universities or research institutes). A typical case is the Cancer Research Foundation, which invests in purchasing lab equipment for cancer research.

Sometimes there is a combination of beneficiaries – not just one institution, but also institutions from several sectors, including individuals. This is the case for the SPP Foundation.

In one case, the foundation's only activity in the R&I field is support for PhD students. The Intenda Foundation provides support for the six top PhD students in their last year of study, with the idea of supporting the younger generation of excellent researchers and scientists in Slovakia.

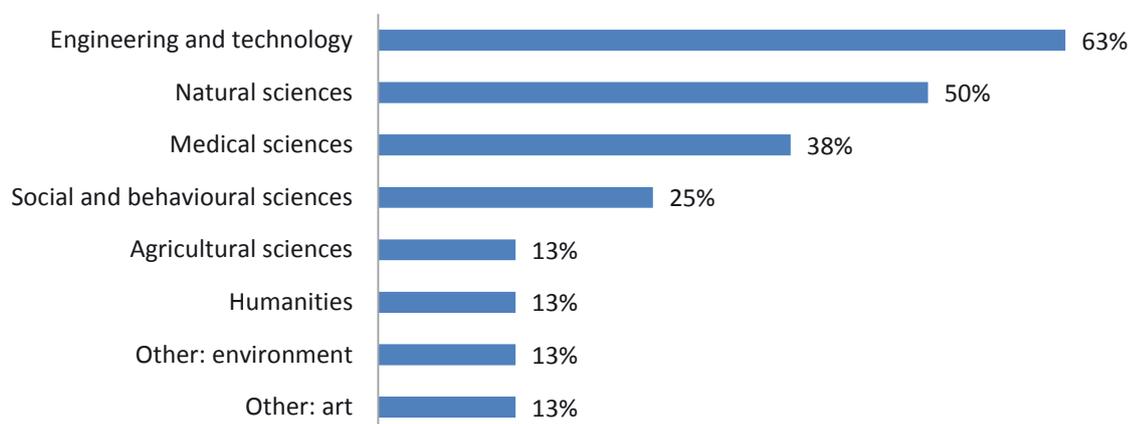
Another example of a type of beneficiary is the case of EkoFond. The beneficiaries of the EkoFond n.f. research grants are typically universities and their applied research programs and capacities. However, an indirect beneficiary of the applied research supported by the EkoFond is the gas industry. An interesting example is a research project focused on methane hydrates. This research is still continuing, and studies the behaviour (formation, dissolution or sublimation) of methane hydrates within the specific conditions of the gas transport infrastructure, thus providing knowledge that helps the industry to make informed decisions on removing or preventing the formation of hydrates in specific conditions, instead of taking general measures in any conditions. This saves on costs and allows a focus on the real problems with regard to hydrate formation.

### 3.4.2 Research areas

The question about research areas was answered by eight organisations. In this question, they could choose one or more options (natural science, engineering and technology, medical science, agricultural science, social and behavioural science, the humanities and others). Figure 6 shows that the responding organisations mostly support programs and projects in the area of engineering and technology, followed by natural science and medical science.

**Figure 7: Research areas**

As a percentage of the total number of foundations, multiple answers possible (N=8)



This finding also broadly correlates with the research area orientation of the ten members of the Association of Research Organisations of the Non-Profit Sector, which has six engineering and technology members and four social science and humanities members.

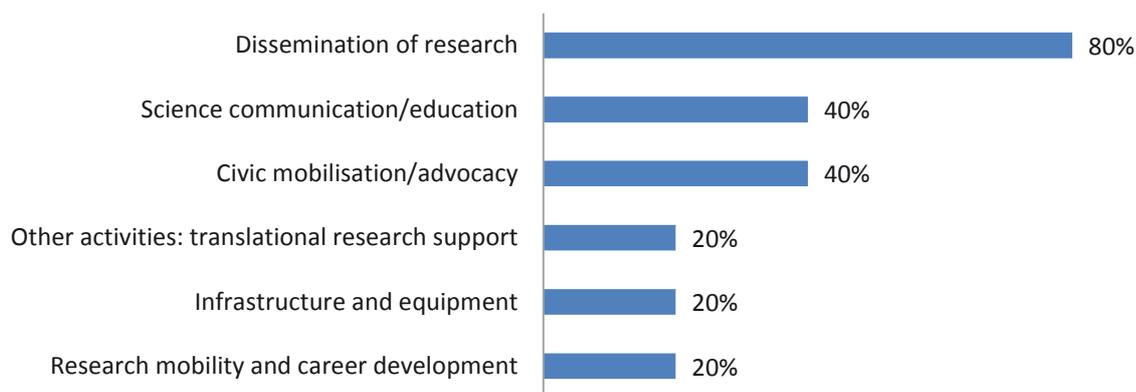
### 3.4.3 Research-related activities

Five organisations identified research-related activities as being relevant to their activities. The options included the mobility of researchers and career development, the transfer of technologies, infrastructure

and equipment, the dissemination of research results, the communication of science, civic activism, the promotion of scientific interests, as well as other non-specified activities. Figure 7 shows that the responding organisations in 2012 supported activities mostly related to the dissemination of research results, the awareness of research and science, and civic activism and the promotion of scientific interests.

### Figure 8: Research-related activities

As a percentage of the total number of foundations, multiple answers possible (N=8)



## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

The largest share of the geographical distribution of expenditure on supporting R&I is on a national level, partly on a local or regional level, and only very little on a European level. None of the responding organisations claimed to give its support on an international level. Many foundations and non-investment funds redistribute their assets and funds only on a national level, but the recipients often reach beyond the national borders. For example, the Intenda Foundation's grant program 'We Support Authentic Individuals' supports PhD students in their studies and research activities often has an international focus. PhD fellows use their scholarships for various studies abroad, including outside Europe. Another example is the Cancer Research Foundation, which provides travel grants not just for PhD students but also for researchers, who use them to cover their costs related to international conferences or study visits. The support for the international mobility of research personnel has an indirect influence, and can be considered as support for science and research on an international level.

Based on the data, it can be concluded that foundations and non-investment funds, through their redistribution and support of R&I, partially contribute to international and European integration through a) funding of researchers' mobility in Europe and beyond, b) support for international research projects, and c) social aspects (a combination of researchers' working and living conditions).

### 3.5.2 The role of the European Union

An analysis of data from the quantitative research did not reveal any relevant results on the role of the European Union towards foundations in support of R&I.

From an analysis of the interviews, it was found that foundations as well as foundation investment funds perceive EU membership as being highly positive, especially from the perspective of investment opportunities and the opportunities of drawing funds from structural and cohesion funds, and from EC initiatives and programs. These are crucial for meeting the needs of civil society and for the development of the nonprofit sector. This is also true for the Association of the Research Organisations of Non-Profit Sector, which has a strong orientation towards the Structural and Cohesion funding of the EU.

The responding organisations mentioned that the growth of nonprofit sector requires changes in terms of fiscal incentives, especially where tax breaks or credits are concerned in relation to research and development. There is a need to identify a mechanism of how to stimulate businesses with higher added value operating in Slovakia in this way. Companies that support R&D today should have a some kind of compensation or a set of incentives for doing so.

## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

The number of members on the Boards of Directors and on the Supervisory Boards is different, typically ranging between four to ten members (see Tables 5 and 6).

**Table 5: Number of Governing Board members**

		Frequency	Percentage
Valid	17	1	9.1
	4	2	18.2
	6	2	18.2
	7	2	18.2
	8	1	9.1
	Total	8	72.7
Missing	Missing	3	27.3
Total		11	100

**Table 6: Number of Supervisory Board members**

		Frequency	Percentage
Valid	1	1	9.1
	3	5	45.5
	Total	6	54.5
Missing	Missing	5	45.5
Total		11	100

The governing structure of R&I foundations is similar to other foundations acting in other fields. This is due to the requirements of the foundation law, which is relatively detailed in terms of functions, as well as the establishment and operations of the Board of Directors.

### 3.6.2 How do grantmaking foundations support research?

Grantmaking foundations provide financial support for R&I through grant programs that define the conditions and eligibility for applicants, as well as the application procedure and the grant-awarding process. Often the grant programs are organised around specific calls for proposals. These are typically publicised in the media and on websites. Grant applications are reviewed by experts or advisory committees established by the foundation in order to provide expert assessments of the applications. Once the grant supporting R&I is awarded, the active involvement of the foundation in the implementation of the R&I project is very rare.

However, there are exceptions – for example, the EkoFond actively participates in monitoring the research grants and makes extra efforts to ensure that the research activities follow the correct path and are geared towards the practical use of their results.

*‘...we have brought to this relationship (donor-grantee) a more rigorous project management-based approach – monitoring of the budget and spending, following the workplan and periodically checking the output and inclusion of advisors from its practice.’*  
*(Interview 4)*

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The support provided to particular organisations in the R&I field is sometimes and ongoing, depending on the purpose of the supported project.

### 3.6.3 Engagement in partnerships

The respondents expressed the view that specific partnerships supporting R&I are not very common; in fact they are rare. Further research and interviews confirmed this finding – the foundations do not collaborate jointly on specific research projects or programs.

However, during recent years there have been signs of organising a platform for the cooperation and shared interests of non-profit research organisations through the Association of Research Organisations that have a Non-Profit Legal Form (ZVONS). The aim of this Association is to serve as an umbrella for all nonprofit organisations that are partially or fully involved in research and development in all areas of human life and technology, and through its activities to promote the interests of the nonprofit sector in

supporting the research and development policy of Slovakia and of the EU. The ambition of this Association is to place the nonprofit sector 'on the radar' of government agencies and support programs aimed at supporting R&D.

A conference was held recently (November 2013) based on the topic 'Funding of Research and Development in the Non-Profit Sector,' at which the Association made its first major appearance in this context with other major stakeholders (the Ministry of Education, the Ministry of Finance, the Office of the Government and the European Commission).

The Association has the ambition of becoming a strong partner for communication with the State administration on behalf of all nonprofit organisations that support/conduct research, and who would champion support for research and innovation by the nonprofit sector. Many existing policies aimed at R&I do not allow for the experience and presence of nonprofit research organisations.

## 3.7 Roles and motivations

### 3.7.1 Roles

The most frequent responses were:

1. Complementary role (complementing other existing initiatives/activities).
2. Substitution role (substituting [non-existent] public/other initiatives/activities).
3. Initiation role (aimed at launching projects with expectation they will be taken over by someone else).

None of the responding organisations claimed their role to have a competitive nature (aimed at competition with other initiatives).

The data obtained through the questionnaire and interviews suggest that foundations and non-investment funds perceive their role in this field as complementary or substituting. They perceive their role as bringing new and interesting stimuli for support. The complementary role is also perceived as a strengthening of the quality of the processes that lead towards improvements in services mostly provided by the public sector (university education, research and development).

For example, one of the respondents described this role as providing advice for good project management or orientation. In this case, the respondent argued that public institutions do not have sufficient capacity as far project management is concerned. This means that the role of the foundation is not just to provide complementary services –financial support – but also to provide a substituting service in the form of project guidance/management/monitoring.

### 3.7.2 Motivations

The motivation of foundations and non-investment funds in engaging in the area of R&I support can also be seen as an expression of the perception of scarcity or insufficiency.

Answers on the motivation of respondents included:

1. The promotion and support of young scientists and research – this is the case for many foundations (corporate and independent). For example, the Intenda Foundation has established separate programs aimed at developing civil society, revitalising public spaces, supporting contemporary artists, and providing scholarship programs for PhD students. All these contribute to the support and promotion of youth science and research in Slovakia.
2. Corporate social responsibility (relating mostly to corporate foundations) – for example, EkoFond tries to support environmental management and energy efficiency practice through providing grant programs to public sector institutions.
3. Support for research activities through donations of technical equipment (for example, the Cancer Research Foundation declares this to be of their main activities and the reason for its establishment).

The role of foundations and non-investment funds in support of R&I, as perceived by themselves or by the other stakeholders, does not seem to be a significant one. For example, the government-controlled APVV does not see a space for not-for-profit organisations in supporting R&I. Civil society and the nonprofit sector are institutionally very weak in Slovakia, and therefore science and research should be funded by stronger organisations and structures such as the government.

# 4 Innovative Examples

This chapter describes examples of foundations' innovative practices and activities in the field of R&I in Slovakia.

These examples were selected based on a combination of two approaches: a) identifying interesting cases through the process of gathering the qualitative data during the interviews, and b) through research on the websites of foundations and other organisations included into this study.

Their selection was made with the intention of demonstrating their diversity.

The practices described below focus on initiatives that have had a significant impact (in the opinion of the respondents) such as pilot demonstration projects or the introduction to the market of new services and technologies.

## Successful partnerships

There are several examples in this area. The first one describes the case of EkoFond, a non-investment fund, in developing a new experimental field of study in higher vocational education to train technicians about the energy facilities of buildings.

This project addresses a need in the human resource field that lacks highly qualified operations personnel who are able to maintain modern heating and energy facilities through using progressive technologies focused on renewable sources of energy and natural gas.

EkoFond initiated this project in a close cooperation with three public secondary schools and with private sector suppliers of energy equipment.

EkoFond has developed a new experimental field of study 'Technicians for the energy facilities of buildings.' Students will become familiar with the progressive technologies of heat production, and combined heat and power production, based on the use of natural gas and renewable energy sources. This new field of study has been implemented in three pilot schools in Slovakia – the Secondary Vocational Electro-technical School in Trnava ([www.sose-trnava.edu.sk](http://www.sose-trnava.edu.sk)), the Joint school Kremnička Banská Bystrica ([www.stavebnabb.eu](http://www.stavebnabb.eu)), and the Secondary Vocational Technical School in Prešov ([www.sost-po.sk](http://www.sost-po.sk)).

The study rooms are equipped with the latest technology (micro-cogeneration units, condensing boilers, solar panels, photovoltaic batteries, gas heat pumps etc.). Their establishment was funded by EkoFond, Slovak Gas Industry Alliance partners (Viessmann, Vaillant and others), and the Small Grants Program of the UNDP with a total amount of EUR 642 731.

EkoFond has also coordinated the preparation of textbooks for the new study course with a group of around 30 experts from the pilot schools, the Slovak Technical University and various associations of professionals.

This new field of study educates specialists who are already sought after and excellently paid. After their successful graduation, they receive a vocational certificate, a school-leaving certificate and professional competence for work at selected technical facilities.

The graduates are able to work as technicians in mid-level technical and economic positions in the construction industry and in building energy engineering – especially in companies involved in the selling, installation and servicing of energy facilities which use various types of fuel – natural gas or renewable energy sources. After gaining practical experience they can also become entrepreneurs in the field of energy counselling and services, or they can continue their studies at university.

This new field of study is the only one in Slovakia which deals with the most widespread forms of energy used in households, and in small and medium-sized businesses.

This program is considered as an important innovation in the educational domain in Slovakia in terms of the challenges of how to increase the value of secondary education in meeting business needs.

The second example of a successful partnership is the case of the Ekopolis Foundation –the ‘Living Energy Fund’ project.

The Living Energy Fund is a result of the cooperation between ZSE Energia, a Slovak supplier of electricity and gas, the Ekopolis Foundation, and customers of the company who support the development and use of renewable energy sources and have a responsible approach towards the economic usage of electricity. For each MWh of electricity sold in the Living Energy Product, ZSE Energia contributes EUR 3.30 Euro of the Living Energy Fund.

The goal of the program is to support projects focused on education, the development of renewable energy sources and energy efficiency, and to promote research and innovations in this field.

The program is implemented as an open competition for the support of projects all over Slovakia, but its priority is to support activities and projects in the Western Slovakia region. Applicants can be non-governmental organisations, cities, municipalities, schools and other educational institutions, as well as other public beneficiary institutions.

The Fund is interested in supporting projects that include investment and education activities. Investments can include the construction and installation of renewable energy sources, their restoration and an increase in their efficiency, upgrading equipment which uses fossil fuels, and the implementation of measures for energy saving.

The most welcome are installations of solar collectors to heat water, heat pumps, prototypes, the utilisation of photovoltaic cells and other technologies based on renewable resources.

The non-investment program's priorities are education and increasing awareness about energy saving, educational programs for schools and the public, ecocentre activities, and courses and workshops.

Since the establishment of the Fund in 2009, 40 projects have been supported with a total amount of EUR 210 000.

### **Innovative projects and/or initiatives that have had a significant impact.**

The EkoFond, as mentioned above, is active in the area of energy efficiency and conservation. It has also supported an experimental project aimed at the development and utilisation of software and inspection technologies for the identification and documentation of gas construction equipment. EkoFond funded this project, which was designed by the Department of Technological Engineering in the Faculty of Mechanical Engineering at the University of Žilina

The main goal of this project is a new methodology for the identification and documentation of gas construction equipment through the use of new software and inspection technologies in welding, as well as research into the area of the non-destructive testing of welded joints based on a 3D ultrasonic scan principle called PA (Phased Array Technique), and a diffraction scan called TOFD (Time of Flight Diffraction Technique). Part of this project is the development of software that will be able to quickly provide and register all the information needed during the reconstruction or construction of a gas pipeline directly to the construction site.

The outcomes of this project will help to increase the health and safety operations of the gas networks in Slovakia, and will increase the effectiveness of controls and problem solving. The software might be used by gas transport operators and distributors throughout Slovakia. The project is still in its implementation stage.

Two more examples are research projects that have the potential for making a significant impact. The Memory Foundation focuses on the issues concerning Alzheimer's disease. It supported a research project called 'A non-pharmacological approach to the cognitive function stimulation of Alzheimer's patients evaluated by visual and proteomic biomarkers.' The project lasted 2.5 years, and was supported by the Slovak Research and Development Agency.

Based on the analyses of the neuropsychological test results and the objective quantitative MRI brain volumetry, the positive effects of this non-pharmacological approach were proved. The most significant were the cognitive function training and the education of the patients' family members.

The results obtained from this project contribute to the early and correct diagnosis of dementia in Slovakia, and they will support new therapeutical approaches to the non-pharmacological treatment of dementia, mainly Alzheimer's.

**The Cancer Research Foundation is another similar case.** It supported a young researcher, Mgr. Lucia Kučerová, PhD. from the Laboratory of Molecular Oncology at the Cancer Research Institute at the Slovak Academy of Science.

The financial support was used for a comparison of the expression of 84 target genes responsible for the resistance to the pharmacological treatment of tumor stem cells. Based on the analyses, a combination of the genes responsible for the resistance of tumor stem cell medullary thyroid carcinoma was described. Most of them can be treated therapeutically, which could help to find a new drug combination to fight against them.

Lucia Kucerova presented the results of the analyses at the International Conference NCRI Cancer in Liverpool in the UK. The report by L. Kučerová, Z. Kozovská and R. Bohovič named 'CD133+ subpopulation derived from drug-exposed human medullary thyroid carcinoma xenografts in vivo retains chemoresistant memory to 5-fluorouracil' was presented in the Cancer Cell and Model Systems Section, and the authors were invited to join a panel discussion.

The results obtained from this research, which was carried out using the analytical laboratory equipment purchased by the Institute through the foundation's grant, were published in two publications – one Slovak (*Onkológia* 2013), and two international (*Thyroid*, Volume 24, Number 3, 2014, *BMC Cancer* 2013, 13:535). Based on these published results, foreign partners approached the team for their cooperation in the TRANSCAN program aimed at translation research. The results of the research are still in experimental mode and have not yet been certified for clinical use.

### Projects engaging the public's interest in research

**The Tatra banka Foundation, which is a corporate foundation active in the area of education, designed the program called 'E-Talent.'** The goal of this program is to support research and innovation in the field of applied and industrial informatics. Applicants can be students, academics or researchers.

The program is open to teams from Faculties of Informatics, Information Technologies, Industrial Informatics and Electrical Engineering at various Slovak universities. The teams must consist of students and PhD students, and the submitted projects must focus on research and scientific activities with practical outcomes. In 2012, nine projects were supported with a total amount of EUR 30 000.

Examples of the projects supported by the program:

An online laboratory for student research is a project of the Institute of Controlling and Industrial Informatics at the Faculty of Electrical Engineering and Informatics at the Slovak University of Technology in Bratislava. The team is attempting to set up a base for a computer lab for student research. The activities of the Institute are focused on evolutionary computing (evolutionary algorithms, genetic algorithms), so the aim of the project is to build a computer cluster that can include at least 50 processes in the first phase, and to design a software suitable for the parallelisation of evolutionary calculation which ensures the planning, operation and distribution of tasks between multiple users in Matlab.

EyeBlink – PC users' anti-blink detection rate is a project of the Institute of Applied Informatics at the Faculty of Informatics and Information Technologies at the Slovak University of Technology in Bratislava. The applied research will result in the development of the original application capable of detecting computer user blinks with the webcam. The information gained will be evaluated and used to help to treat 'dry eye syndrome,' which affects around a quarter of computer users. During intensive work with computers people have a tendency to blink less, which causes their eyes to lack moisture and protection. EyeBlink's application will calculate the frequency of the user's blinking and will encourage them to blink consciously. The students are working with experts from an ophthalmological clinic, and the application prototype will be tested there.

# 5 Conclusions

## 5.1 Main conclusions

The real contribution of private philanthropy in research funding in Slovakia is rather limited. There are only a few examples, and for most of them R&I is not their main mission.

The main feature of R&I foundations in Slovakia is their orientation towards the corporate sector or fundraising from the public. Endowment (asset)-based foundations active in this field are non-existent in Slovakia.

The levels of expenditure in Slovakia on R&I are small by international standards. The trend of the last five years is that R&I's share of the GDP is rising. There is a dominance by the public sector in R&I funding, and an increase of foreign funding. The share of the nonprofit sector in R&I expenditure in Slovakia is negligible.

There are up to 20 nonprofit organisations (including foundations) that support or operate R&I activities. For many, R&I is a complementary activity, and not their core one.

Founders of these institutions are sometimes corporations, sometimes independent organisations and sometimes individuals with affiliations to other public or semi-public research institutions.

The role of nonprofit organisations and foundations in supporting R&I is perceived as being unequal – for some there is no role at all, while others, especially the representatives of foundations and non-profits, see their role as necessary.

Given the small number of relevant entities, it is hard to make a generalisation about their behaviour in providing support or in strategic management. However, the entities engaged in R&I are larger organisations by Slovak standards in terms of financial turnover.

In terms of R&I orientation there is a slight inclination towards natural science and technology.

Besides the research activities themselves, the most significant activities performed by these organisations is the dissemination of research and science communication.

The EU is perceived as a source of funds and as a stimulator of activities due to the possibility of investment opportunities.

Despite the limited number of examples, those that were surveyed demonstrated that grantmaking foundations follow the procedures of open competition or calls for proposals, but are not directly engaged in research per se.

In terms of roles, there is a shared understanding and perception of nonprofit organisations' and foundations' roles in R&I support/operations as being complementary or substituting (in the sense of applying project management tools to ensure or increase the likelihood of good results).

The orientation of Slovak R&I foundations is towards a) the promotion and support of young scientists and research, b) corporate social responsibility, and c) support for research through the donation of technical equipment.

There is a specific group of nonprofit organisations that provides services in the area of research to the private and public sectors.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Slovakia

There are very few strengths of the R&I foundation sector in Slovakia, as it is extremely small and its contribution to R&I is negligible.

The specific strengths of several R&I foundations are in their methodology in creating a framework where project management tools and procedures are used most often in environments (universities) where such approaches are not widespread.

There was also visible corporate involvement in a couple of cases (as a founding role) in terms of funding and pressure for the application of research results.

The main weakness of the sector is its low level of development and that it is unknown in the R&I environment. Given the weak financial status of foundations, they are not envisaged as being possible partners or supporters by the research community.

## 5.3 Recommendations

In order to strengthen the role of private philanthropy in research funding in Slovakia it is important to establish an incentive system that would stimulate philanthropic investments into research.

There are efforts to expand the role of private business investment into research funding through a system of stimuli; however, this is not the same as private philanthropic investment.

To stimulate the latter, it is necessary to establish appropriate fiscal incentives for individuals and companies to support philanthropic institutions as such, and to implement awareness raising among policy-makers and the business sector about the specific role of philanthropic organisations in funding research alongside business, or public investment into research.

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# 7 Annex

List of the 17 foundations and non-investment funds that are the subject of the analysis:

List of the surveyed foundations and non-investment funds

Name of organisation	
1	Anton Tunega Foundation
2	Cancer Research Foundation
3	Ekofond, non-investment fund
4	Ekopolis Foundation
5	Foundation of Brain and Spinal Cord Injuries
6	Habitat for Humanity International Foundation
7	HTA Slovakia Foundation
8	Children Cardio Center Foundation
9	Innovative fund, non-investment fund
10	Intenda Foundation
11	Ján Jessenius' Non-investment Fund for Heart Research
12	Memory Foundation
13	Non-investment Fund for Urology Development
14	Open Society Foundation
15	Pontis Foundation
16	SPP Foundation
17	Štefan Luby Foundation



**Slovenia Country Report**

# **EUFORI Study**

**European Foundations for  
Research and Innovation**

Edvard Kobal

Research and  
innovation



# **Slovenia Country Report**

EUFORI Study

**Edvard Kobal**

Slovenian Science Foundation



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# 1 Contextual Background

## 1.1 Historical background <sup>[1]</sup>

Philanthropy has a long tradition in the Slovenian ethnic region. Throughout the centuries it has been manifested in the conscious acts of individuals who were aware of their responsibilities towards the most vulnerable elements of the society represented by economically and socially deprived individuals. Similar to other Central European countries during the Middle Ages, philanthropic acts in Slovenia were directed mainly towards monasteries and social institutions in towns, while during the modern era there have been more and more philanthropic acts directed towards people in need for their personal growth and recognition. Gradually, some organised forms of philanthropy were created such as institutions and foundations, in addition to the spontaneous, non-organised forms.

Slovenia has had a long tradition in this field and yet is rather modest in terms of the number of foundations. There are numerous reasons for this, but the most prominent ones seems to be: the weak economic power of individuals, the late development of universities and research institutions (not before the 20th century), and the absence of foundations in Slovenian society for almost half a century (from the mid 1940s to the beginning of the 1990s) due to ex-Yugoslav politics.

The establishing of institutions to raise scholarship funds by founders based in the Slovenian ethnic region has a long history. The first such institutions were established during the Renaissance – the oldest known example was founded in 1505. The scholarship institutions were then soon founded by ex-beneficiaries. The aforementioned institutions were meant to serve students from the Slovenian ethnic region, but they did not create any added value per se. The scholarships were given for study at Austrian and German universities and were managed from there as well.

The first university in the Slovenian ethnic region was established in 1919, the first academy of arts and science in 1938 (however, its precedent is the Academia Operosorum Labacensium founded in 1693), and the majority of research institutions after 1945. However, the foundation of the first university was an impetus for the Slovenian intelligentsia, wealthy citizens, graduates, entrepreneurs, landlords and merchants to support the development of scientific and research activities under its umbrella.

In parallel with the above conceptions, the Foundations Act was in process in the 1920s and finally adopted in 1930. The Act modernised the organised implementation of philanthropy via foundations acting as legal entities. In addition, the Act strengthened the development of philanthropic visions to support scientific and research activities and consequently increased the number of wills where some wealth was dedicated to the development of science. Unfortunately, due to the devaluation of some currencies in the 1930s and the coming of the Second World War, some decisions and establishment procedures were not realised.

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1 For more detailed information please see references 1-11.

In 1945, the 1930 Foundations Act was annulled in Slovenia together with other legal acts from previous years and decades. Lawyers shared the opinion that although the Act was not in force anymore, the articles from the Act had not been annulled, and therefore, theoretically, foundations could be established according to this Act. In reality, however, nothing like that happened until 1992, soon after the Republic of Slovenia was founded.

Foundations were introduced into the legal system of the Republic of Slovenia at the end of 1995, when the new Foundations Act came into force. Before this, namely between 1992 and 1995, new foundations could be founded according to the Act from 1930, because the ex-Yugoslav legal, political and economic system that was in force from 1945 to 1991 did not enable the founding of foundations, as under that system it was thought that the state administration could entirely satisfy all of the citizens' needs.

From 1992 to 2013, there were more than 20 foundations established whose at least partial intention was to independently support scientific research and/or innovative activities. Currently, these foundations comprise 8 % of all of the established foundations in Slovenia. Slovenian foundations in general suffer from capital inadequacy due to extremely small start-up assets and relatively weak annual cash inflow and other assets. They are weak and financially unstable institutions which can carry out their mission activities only to a limited extent.

The same holds true for the science foundations: their relatively low cash assets dictate their focus on low-budget scientific and research support activities, such as promoting science, and less on essential direct activities. Of course, supporting direct scientific and research activities has a greater and more significant effect on the field of science itself and on the citizens' perception of these foundations' role in Slovenian and European society.

However, the actual conditions prevent there being greater interest and readiness to co-operate among both citizens and organisations. Financially unstable foundations cannot be an equal partner of the state administration, because contrary to state institutions they do not have optimal conditions for their operation, which means that they have difficulty gaining the necessary amount of public trust for the qualitative implementation of their projects and programs.

## 1.2 The legal and fiscal framework <sup>[2]</sup>

### Legal issues

The 1995 Foundations Act again introduced the concept of the foundation as a legal entity in the Slovenian legal system. In fact, in the Slovenian case of developing its legal system, the foundation happened to be the last legal entity within the framework of the *numerus clausus* in the area of legal entities governed by private law. Compared to the previous Act of from 1930, the current one offers a contemporary and appropriate legal foundation for the establishment of foundations for the society of the 21st century.

According to Slovenian legal science, foundations and societies are basic institutions of civil society and

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2 For more detailed information please see references 12-21.

are among the most significant forms of non-governmental organisations.

The legally indisputable basis for the establishment of foundations based on private property is in sync with the principles on the equality of all kinds of property. In addition, it lays the foundation for free will, namely to dedicate some wealth to scientific, research and/or innovation activities.

According to Slovenian legislation, foundations supporting scientific or innovative activities are defined as foundations engaged in general-benefit activities. These foundations carry out various activities aimed at collecting the financial means for long-term achievements. Foundations supporting scientific and research activities in Slovenia are clearly not monetary or capital institutions, because the majority of them have no significant financial means of their own; therefore, their mission is also covered via revenue stemming from their own business. In short, they mainly act as a service-provider or an institution.

In defining a sustainable purpose for establishing a foundation, Slovenian legislation enables its liberal organisation. This means that a foundation's purpose should be sustainable. Therefore, the Act also enables the establishment and operation of foundations with a limited timeframe.

Any given foundation must be managed, and therefore Slovenian legislation demands the establishment of foundation management. Its role is primarily to execute the activities stemming from the main purpose of the foundation, to represent the foundation and to implement any other roles as defined by legislation.

In addition, the foundation may establish management bodies to carry out its mission, for shaping science policy, and for creating priority lists of potential or actual beneficiaries, or bodies competent in evaluating applications for scholarships or other benefits. These bodies are not mandatory according to the Act. They are optional.

## **The fiscal framework**

Contemporary tax legislation in force for foundations originating in Slovenia was shaped and adopted during the first decade of the 21st century, namely in 2006. Below are some important excerpts from various Acts influencing the operation of foundations:

1. Foundations as not-for-profit organisations are exempt from corporate income tax (Article 9, Corporate Income Tax Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12303/06).
2. Foundations as legal entities governed by private law and established under the Foundations Act (1995) to engage in general benefit activities are exempt from tax on gifts in the form of movable and immovable property as well as other rights, if a gift or inheritance is used by a legal entity for not-for-profit activities (Article 9, Inheritance and Gift Taxation Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12327/06).
3. Corporate donors may claim tax relief whereby 20 % of their investments in research and development (R&D), in the form of commissioned R&D services carried out by a foundation which is at the same time a private research organisation, can be deducted from the tax base (Article 55, Corporate

Income Tax Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12303/06).

4. Corporate donors may claim additional tax relief – a tax deduction in the amount of a cash donation paid to a foundation, which may account for up to 0.3 % of the taxable entity's taxed income in a business (tax) year but may not exceed the tax base in the given tax period (Article 59, Corporate Income Tax Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12303/06).
5. Persons liable under the Personal Income Tax Act may claim tax relief – the total amount of cash and in-kind donations to foundations may be deducted from the tax base – up to 0.3 % of their taxed income in a tax year (Article 66, Personal Income Tax Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12272/06).
6. The tax relief for donations to foundations is also applicable to donations from residents of other European Union member states.
7. Beneficiaries of foundations are exempt from income tax and grants received from foundations established and operating in accordance with the law governing foundations – the Foundation Act. This particularly applies to charity grants (Article 20) as well as scholarships and other benefits that are given to students by foundations active in the fields of science, education and culture (Personal Income Tax Act, Official Gazette of the Republic of Slovenia, 16 November 2006, 117-12272/06).

The aforementioned Acts do not grant foundations any exclusive benefits in terms of tax, although they were adopted a decade after the Foundation Act came into force. Unfortunately, the Foundation Act itself did not set any exclusive benefits for foundations.

The reasons are manifold and are related to both the public and private sector. The circle of the highest decision-makers in public affairs of the Republic of Slovenia is still defending the principle of balance, meaning that exclusive benefits for any kind of legal person (foundation, private institution, association) are not recognised. Economic circles are a bit more flexible in general; however, they are also not yet ready to recognise exclusive benefits for foundations.

### 1.3 The foundation landscape <sup>[3]</sup>

According to official data gathered by the Ministry of Internal Affairs of the Republic of Slovenia, regarded as competent for maintaining a list of foundations, there were 269 foundations registered in Slovenia at the end of July 2013. In the field of education and science there were 22 registered foundations for mixed purposes, comprising 8.2 % of all Slovenian foundations.

A more detailed look at the abovementioned 22 foundations reveals that only half of them carry out significant activities in the field of supporting science and research at least temporarily, and that some have already ceased their activities in this field. Actual support for science is given by less than half of them, namely around six to eight. Continuous operations that can be checked by the public at any time are only demonstrated by the Slovenian Science Foundation (founded in 1994) and its 'daughter,' the House of Experiments (founded in 1996).

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3 For more detailed information please see reference 22

Slovenian foundations which support scientific and research activities are practically all capital/service-provider organisations. The reason for this lies in the fact that financial support from various national and international sources is too weak. The independent investments of Slovenian foundations actually comprise complementary activities to their scientific and research work, especially through the organisation of events in the fields of science communication and the advancement of researchers and their internal and external mobility. In fact, the aforementioned complementary activities are what foundations recognise as their priorities, and they establish and support these activities independently of other public-sector sources. In many instances foundations' support in this area is the only support in Slovenia and the only option of integrating these activities into the European Union or worldwide.

Some foundations supporting Slovenian science sometimes link up with each other and act together in joint activities to be more effective and to achieve synergy on a national and international level. In addition, they co-operate with sister organisations from other countries, especially within the framework of research and other projects financed via the EC within the context of its Framework Programs connected to the Science in Society Program, which is currently called 'Science with and for Society.'

Some foundations operate exclusively on a university level and some, such as the Slovenian Science Foundation, are integrated into European and international associations.

Financial information on Slovenian foundations is collected by the Agency of the Republic of Slovenia for Public Legal Records and Related Services ([www.ajpes.si](http://www.ajpes.si)), but it is not publicly available, because foundations are legal entities governed by private law.

## 1.4 Research/innovation funding in Slovenia <sup>[4]</sup>

Public-and private-sector investment in research and development (R&D) in the Republic of Slovenia are recognised and in general are very important, especially for achieving a knowledge-intensive economy. This is evident not only from the excerpts of state-development documents, but is also proven by actual investments in R&D. During the 2000–2010 period, the Republic of Slovenia allocated from 1.38 % (in 2000) to 2.11 % (in 2010) of its GDP to R&D, and allocated even more (2.47%) in 2011. Of course, investments in R&D have not been linear at any time, but in general, like other investments during that time in Slovenia and the EU, they were subject to fluctuation. Public expenditure on R&D during that time ranged from 0.59 % of the GDP (2000) to 0.67 % of the GDP (2010), while business-enterprise expenditure on R&D ranged from 0.78 % of the GDP (2000) to 1.42 % of the GDP (2010). Some results reveal that R&D investments are priority investments for developing medium-high-tech, high-tech and competitive enterprises, and as such for the sustainable economic growth of the country. The achieved results from the previous decade present a certain guarantee that by the end of the second decade of the 21st century, Slovenia will allocate 3 % of its GDP to R&D and will justify its classification among those EU countries which follow or are close to the Community's strategic goals.

At the beginning of the second decade of the 21st century, the Republic of Slovenia adopted its new National Research and Innovation Strategy 2011-2020. It anticipates closer co-operation between public research organisations and the business sector with the aim of achieving such results in the field of sci-

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4 For more detailed information please see reference 23

entific and research activities that would form a basis for the development of new, competitive Slovenian products and services on the international market. Emphasising the actual basis for competitiveness is important, because so far the increased percentage of GDP for R&D has not achieved results in some areas, e.g. knowledge commercialisation, private-and public-sector internationalisation, etc.

Slovenia has some programs and instruments for supporting research/innovation, such as the innovation voucher, the mentorship voucher, the mentorship of young researchers, financial assistance to institutions that support innovation, the strengthening of development units in the business sector, and the transfer of technology from the public sector. In the aftermath of the economic crisis, Slovenia has focused on cutting its annual budget deficit from 6 % to 3 % by 2013.

It is known that Slovenia is still not fully developing its innovation potential. The reasons are manifold. One of them is the weak connection between the public and private sector. In short, Slovenia needs a new industrial policy. Currently, the manufacturing industry prevails. The manufacturing industry is still important as regards Slovenian exports, but in the long run it is necessary that this industry gradually be replaced by higher-research-intensity industries, which are already recognised in some business areas and include the following: medicinal and pharmaceutical products; machinery and equipment; road vehicles; and chemical products.

Another Slovenian characteristic is its weak connection between the public sector and the foundations supporting R&D. Consequently, qualified foundations cannot become a concessionaire and as such the carriers of big projects, which would pave the way towards a more rapid achievement of the strategic goal, namely a knowledge-intensive economy in Slovenia. Co-operation with corporate entities is somehow broader in scope, but it is still far from optimal levels.

According to the Index of the Economic Impact of Innovation, Slovenia is underperforming in its reference group (which includes the Czech Republic, Italy, Hungary and Slovakia) and is clearly below the EU average. While it only ranks 16th in the EU, Slovenia displays a contrasting pattern of marked strengths and weaknesses. Slovenia is the best performer in its reference group for 'patent applications by GDP,' 'share of employment in knowledge-intensive activities' and 'contribution of medium- and high-tech product exports to the balance of trade.' In these three areas, Slovenia ranks fairly high among the EU Member States, in particular regarding its medium- and high-tech trade specialisations. However, these strengths are counterbalanced by equally marked weaknesses in the 'share of knowledge-intensive services and total export of services' and 'sales of new-to-market and new-to-firm innovations as a percentage of the turnover of firms.'

Based on the above it can be concluded that Slovenia is still not fully reaching its innovation potential. There are two main reasons: a weak connection between the public and private sectors; and modest investments in the economy of the Republic of Slovenia (e.g. the absence of investment by the EU and other developed countries in the Slovenian economy).

# 2 Data Collection

## 2.1 Identification of foundations supporting R&I

Data on Slovenian foundations supporting scientific and research activities were gathered from a list of Slovenian foundations managed by the Ministry of Internal Affairs of the Republic of Slovenia, from our own documentation collected within the framework of the Research Centre of the Slovenian Science Foundation, and from other publicly available printed or electronic media from some foundations.

The development of Slovenian foundations, especially those supporting science since 1999, has been studied within the framework of the Research Centre of the Slovenian Science Foundation. In addition, as reporters for Slovenia, we co-operate with the European Foundation Centre on projects which evaluate the legal and fiscal framework within the EU. Some printed material, such as on foundations and the culture of property, has been issued (since 2000) on an ad hoc basis.

From the publicly available list of foundations we selected 22 foundations, namely all those supporting scientific and research activities or supporting the publication of scientific monographs or research activities in selected areas. In addition, we made a decision that all 22 foundations which are registered as supporting scientific and research activities (unfortunately there is no foundation in the Republic of Slovenia which supports innovation) would be included in our national sample. The sample had the potential to be representative.

## 2.2 The survey

In the summer of 2013 the survey was sent to 22 foundations. However, some envelopes were returned, and therefore we checked if those foundations were still active. Our assumption that they had been deleted from the official register of foundations was not confirmed.

Later, 16 of them informed us that they provided no support for scientific-research activities, although this purpose was clearly stated in other publicly available basic data in the register of foundations. These 16 foundations were eliminated from further data-collection processes.

In the autumn of 2013 we repeated the process of sending the survey to the remaining 6 foundations for which we had reliable data that were still active in the field of supporting science. Besides the survey, information on the EUFORI Study and the significance of co-operating in the project was also sent to them. Unfortunately, none of them responded.

Based on this, we came to a decision that the survey should be replaced by an interview. Again, we were successful only in some cases. The representatives of four foundations were invited to participate in an interview. Two of them accepted the invitation and two did not want to participate.

Based on the above, one can generalise that the high number of foundations not responding to our invitation to participate in a survey or later in an interview is evidence of a low-communication culture and furthermore that their 'silence' means they are either not active or have no PR specialists or other individuals who can provide the information needed for research such as the EUFORI Study (2012–2014). In addition, one can speculate that some foundations are simply not keen to make their data public.

## 2.3 The interviews

The interviews were carried out with representatives of the Slovenian Science Foundation, the House of Experiments, and the current Minister of Education, Science and Sport of the Government of the Republic of Slovenia. Key persons for certain activities such as governance and management (presidents of boards of trustees, directors), the shaping of foundations' science policy (President of the Science Council), and national science policy (the Minister of Science) were interviewed.

The representatives of both foundations were asked to provide information that would normally be provided by the survey. Within this context, we asked them to provide answers on how they see their position and the role of their foundation in the Republic of Slovenia: What is their mission and what are their strategic goals? What are the strategies they use to fulfil their strategic goals? Who are their professional partners and who are their supporters? Who are the users and beneficiaries of their services? What would they like to change within the national system of scientific and research activities, education and culture? How would they like to influence young people and their family members and what influence do they want to have on decision-makers in public affairs and the media?

The Minister of Science was mainly asked to describe the necessity and content of the relationship between the Ministry and foundations.

# 3 Results

## 3.1 The context of R&I funding in Slovenia

Slovenian foundations supporting scientific and research activities and those activities related to research, for example science communication and education, the advancement of researchers' careers and the publishing of scientific publications, raise their finances mainly from Slovenian profit-making organisations and individuals. In short, with regard to carrying out their primary mission, the one for which they were founded, donations make up the primary or secondary form of income for foundations.

Revenue stemming from economic operations in terms of equity or start-up assets are minimal, because Slovenian foundations in general have no significant start-up assets. The same holds true for revenue stemming from subsidies received from dividends or profits.

Revenue collected through foundations' own paid activities, from the sale of publications, or through the possession of non-monetary means (donations in the form of artwork) are important means only for those foundations which organise paid events, e.g. workshops or scientific conferences, or possess their own art collections.

Revenue collected from the EU and the national public sector, as well as donations and subsidies from non-Slovenian foundations acquired within the framework of various international projects and programs, are also significant sources of income for Slovenian foundations.

Directing revenue to beneficiaries depends on the priority areas of Slovenian foundations. Although there are 22 Slovenian foundations registered in the field of supporting research, the majority of them are not active in that field, or support it selectively (only during a certain business year). Traditionally, all the relevant foundations support the scientific education or training of future researchers or give their support to them at the beginning of their careers. Only a few of them offer support to experienced researchers or those who are retired. Furthermore, only a few foundations support researchers at least on an ad hoc basis in their actual research projects, their scientific advancement, their active participation at scientific meetings, or in publishing their scientific publications.

Slovenian foundations are of a mixed type (capital/service-provider foundations) and therefore organise certain events such as workshops in the area of scientific education or science festivals in the area of science communication, or publish work relevant to their achievements.

## 3.2 Case studies of R&I foundations in Slovenia

Due to the small number of active Slovenian foundations supporting scientific and research activities directly or indirectly, there are only two presented below:

- a) The Slovenian Science Foundation.
- b) The 'House of Experiments' Foundation.

These are the biggest foundations in Slovenia in terms of expenditure on R&I. Below are some figures related to the income, assets and expenditure on research and innovation of The Slovenian Science Foundation (the same data for The 'House of Experiments' Foundation could not be obtained).

**Table 1: The Slovenian Science Foundation total income for research in 2013 (in EUR)**

Total income	Amount in EUR
Donations from individuals	13 750
Donations from for-profit corporations	54 535
Donations from abroad	5 110
Income from governments (local+national+EU)	7 410
Service fees, sales, etc.	115
Other	3 040
<b>Total</b>	<b>83 960</b>

**Table 2: The Slovenian Science Foundation total expenditure on research in 2013 (in EUR)**

Total expenditure	Amount in EUR
Research mobility and career development	28 315
Dissemination of research	0
Science communication	29 155
Civic mobilisation/advocacy	0
Other	5 835
<b>Total</b>	<b>63 305</b>

### a) The Slovenian Science Foundation

The Slovenian Science Foundation is the largest national foundation, with a broad range of activities. It is a classic type of European foundation with start-up assets of approximately EUR 0.6 million and an annual income made up of mainly donations from private companies, international organisations and citizens (in recent years these donations represent 85 % of the total income). The foundation was established in 1994. Its founders are from the public

sector (the Government of The Republic of Slovenia, public research institutions, and the three Slovenian State universities), corporate entities, banks, the media and the wider public.

Its main purpose is to ensure independent investment in the development of new Slovenian researchers and a broader scope of international co-operation and science communication.

Its revenue comprises donations from legal or natural persons, sponsorships, and grants collected from national and local (the city of Ljubljana) authorities. Revenue collected from the EU and international organisations (the World Federation of Scientists, UNESCO, UNDP) is also important.

The primary beneficiaries are PhD students, young doctors of science, experienced researchers and undergraduate students.

Some 70-80 % of the annual budget is allocated to research or activities connected to research, while 20-30 % is spent on administration.

Experienced researchers mainly receive donations for their work, while students receive scholarships.

Expenditure related to research activities (an integral part of the expenditure side of the budget since the beginning of the Foundation) have fluctuated due to the general social crisis in Slovenia (2008-present) and have recently been 30 % lower than the average (a comparison of 2012 with 2011).

Basically, the Foundation supports all fields of science. However, the support given to the natural sciences, technology and medicine usually exceeds 50 % of the budget.

The activities that are independently supported by the Foundation from the available funds are primarily those activities connected to research (50 % or more on a yearly basis), followed by activities which promote science communication and education, and finally the mobility of researchers and the expansion of research.

The Slovenian Science Foundation Program complements the national program for the public and private sector. Frequently the Foundation fast tracks initiatives stemming from pilot projects co-financed by EC or UN organisations (UNESCO, UNDP) in the relevant sectors.

As is obvious from the name allowed by the Government of the Republic of Slovenia, The Slovenian Science Foundation is a national foundation and as such operates throughout the country. However, it also works on a local level, in Ljubljana, the capital of Slovenia, and in the international arena (European and global foundation networks).

## b) The 'House of Experiments' Foundation

The 'House of Experiments' Foundation is a specific national foundation mainly promoting the education and upbringing of a knowledge-based society by organising hands-on science activities in the form of numerous workshops and contests. It was established in 1996. Its founders are from the public and the private sector. The Slovenian Science Foundation is also one of its founders.

Its basic purpose is the promotion and popularisation of science, where citizens, and especially young people, take an active role in the process of scientific education organised by the Foundation in the form of workshops and a festival.

Its main revenue comprises donations from legal or natural persons, sponsorships, and grants collected from national and local (the city of Ljubljana) authorities. Revenue collected from the EC is also very important for the Foundation.

Its activities are mostly directed at young people in school education (primary and secondary school students) and partly at students in higher education, especially those in the pedagogical field.

The Foundation has a permanent collection of hands-on experiments, elements of which have been constructed using quality materials and shaped by the best Slovenian craftsmen. Each hands-on experiment has its own 'godfather' (a sponsor or donor who has enabled the existence of the device and/or its installation). The Foundation organises some useful dialogues with science communicators and promotes the role of women in science. In addition, it organises a science festival in Ljubljana's streets and squares.

Also, the Foundation organises educational activities for students/colleagues at the 'House of Experiments,' as well as for students undertaking a similar mission in other hands-on scientific centres both in Europe and in non-European countries. The 'House of Experiments' is a service-provider type of foundation. It is primarily geared towards the promotion of the natural sciences.

The 'House of Experiments' program complements the public sector national program in the area of science communication.

The results of pilot projects and projects co-financed by the EC are implemented in Slovenian education as well as in other countries as added value.

Both foundations are organisers of an annual science festival. The 'House of Experiments' organises a festival each May in the streets and squares of the capital of Slovenia, while the Slovenian Science Foundation has organised a national science festival with international participation every October since 1994.

### 3.3 Interview findings <sup>[5]</sup>

Unstructured interviews were carried out with the following representatives:

- Prof. Dr. Venčeslav Kaučič, President of the Science Council of the Slovenian Science Foundation.
- Prof. Dr. Andrej Umek, President of the Board of Trustees of the Slovenian Science Foundation and former Minister of Science and Technology in the Republic of Slovenia.
- Dr. Miha Kos, initiator and long-time director of The 'House of Experiments,' Slovenia's first 'hands-on' scientific centre.
- Prof. Dr. Jernej Pikalo, current Minister of Education, Science and Sport of the Republic of Slovenia.

Some of the most important findings/recommendations from the interviews with leading representatives of the selected Slovenian foundations (November 2013) and authorities on national science policy (December 2013) are as follows:

The Ministry competent in the field of science should strive to enhance the public and private sectors' confidence in the quality of science foundations' operations, and increase public understanding of the reasons for these foundations' complementary programs which are aimed at enriching and enhancing State support for the needs expressed by the citizens (M. Kos) and the scientific community (V. Kaučič, A. Umek, M. Kos).

In terms of recognising foundations as significant national bodies that implement scientific policy, the Ministry should, when it is of national importance, put forward a specific evaluation of a foundation's projects via a public call for proposals in the area of innovation as regards the practices (i.e. evaluation, alternative and pilot projects) of the national system of scientific and research activities (V. Kaučič, M. Kos).

In addition, the Ministry should be interested in enriching its own evaluators' lists with the capacity offered by foundations. Moreover, the Ministry should apply some evaluation practices developed by foundations (A. Umek, V. Kaučič).

The European Commission or the Directorate General competent for scientific and research activities should develop effective measures for enhancing foundation staff's orientation and training with the aim of independently supporting scientific and research activities (V. Kaučič, M. Kos).

The European Commission should develop and implement specific public tender procedures where the foundations would be considered priority applicants (V. Kaučič, M. Kos).

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<sup>5</sup> Please note that this is not a regular 'Interview findings' section as it summarises everything that it was possible to get from the interviewees, being an evaluation of a situation or an opinion. It was impossible to get more in-depth information on foundations in Slovenia, namely the Slovenian Science Foundation and the 'House of Experiments,' from the interviewees, because none of the representatives are professionally involved in these Foundations' operations. Only the two Foundation directors perform their duties on a professional level. Based on the above, the interviewees were asked about their perspectives on the further development and the role and position of foundations in national society and the EU, not about the current situation. Consequently, their answers are more recommendations than evaluations.

Politicians both on a national and EU level should strive to promote foundations' good practice and thus contribute to foundations' recognition in national and European society (A. Umek, V. Kaučič, M. Kos).

Politicians should strive to co-create public trust in the activities performed by foundations by becoming a model as a friend, supporter and partner, before and after taking part in public functions in State administration or in society (A. Umek, M. Kos).

Some active Slovenian foundations such as The Slovenian Science Foundation and The 'House of Experiments' should continue their practice of motivating citizens to enrich their knowledge in the field of science by using print and electronic media or by participating in 'hands-on' activities at scientific centres.

In addition, foundations should continue their practice of developing and strengthening their networks of partners/providers of activities, supporters and friends.

In the future, the promotion of science should remain one of most important permanent activities of science-supporting foundations (A. Umek, V. Kaučič, M. Kos).

The Government of the Republic of Slovenia should, within the context of the Ministries competent in science, economic development and technology, develop partner relationships with foundations. The emphasis of these partnerships should primarily be on promoting science and innovation.

The abovementioned Ministries, via their representatives, are giving priority to directing foundations towards EU Commission tenders. The national needs, as encapsulated in the State budget, take second place after this priority (summarised from the answers given by the current Minister of Education, Science and Sport, J. Pikalo).

Based on the above, we can outline the current situation in Slovenian R&I as follows:

Researchers and foundation staff are the most conscious citizens of the Republic of Slovenia in terms of the role and place of foundations in Slovenian and European society.

The majority of the most important decision-makers in public affairs in the field of science do not deal with foundations enough to understand their core issues. Otherwise they would organise public events where intellectual dialogues between the most prominent individuals from Ministries, public institutions and foundations would take place. Unfortunately, these are currently exclusively undertaken by foundations.

Interest in partnerships between the State administration and foundations of course exists per se, but it is narrowed down to less important areas such as the promotion of science.

Even though the promotion of science in the Republic of Slovenia has recently been classified among those prominent activities that should be organised on a national level, a lack of

public tenders in this area since 2011 has hindered foundations from carrying out some projects on an optimal level, such as the Annual Science Festival, workshops for young science enthusiasts, etc. Foundations' cash assets are limited to what they receive from the private sector and international organisations.

The State administration shows little or no interest in developing partnerships with foundations in some essential areas of scientific-community support such as supporting alternative and pilot research projects and strengthening the financial schemes within foundations, which would enrich our research groups with researchers from other European and non-European countries, provide researchers with internal and external mobility, as well as providing them with additional specific knowledge and experience.

# 4 Innovative Examples

## 4.1 Successful partnerships

Among the various projects which promote excellent and successful partnerships between the Slovenian Science Foundation and other organisations, two examples have been chosen for detailed presentation, namely this Foundation's co-operation with a global organisation (the World Federation of Scientists) and its co-operation with a successful private firm (BTC d.d.).

### (a) Co-operation with the World Federation of Scientists

The Slovenian Science Foundation has been co-operating with the World Federation of Scientists, headquartered in Cern, Switzerland, since 2002. This global organisation entrusted the Slovenian Science Foundation to plan and implement a national financial scheme of independent support for doctoral students while completing their PhD thesis and for new doctors of science at the beginning of their careers. The financial support is meant for applicants working in the area of planetary emergencies for the duration of six to twelve months. Each year, the ten most successful applicants are classified as new beneficiaries.

The meaning of this co-operation is to fulfil the mission of helping potential future researchers or researchers at the beginning of their careers to successfully overcome the barriers that would otherwise hinder their development towards becoming excellent researchers or would halt their professional career in the field of science, which is usually the case for individuals from economically poorer families. Combining these grants with additional support from other financial sources consequently raises the total number of beneficiaries in any given certain year. This gives the Foundation the chance to make the carriers of such support conscious about how important it is to ensure a more 'human' approach in establishing equal conditions for all talented people when they choose a career in science.

### (b) Co-operation with BTC, d.d.

BTC d.d., from Ljubljana, is one of the founders of the Slovenian Science Foundation. Based on their many years of support for the Foundation's donors program, a special project within the framework of 'Partnership 2020,' which would strengthen their relationship in the long run, was suggested.

BTC is Slovenia's biggest shopping centre and can be classified as being of average-size in terms of European shopping centres. It offers not only commercial, recreational and cultural activities, but also a scientific presence. For this purpose, a program called 'Science at BTC City' was developed (in 2009).

The main purpose of this program is to give young doctors of science a chance to present their research results to the public and make themselves, as well as the group of professionals they belong to, known. It happens too frequently that young professionals experience difficulties in making themselves known

as potential researchers in general. Therefore, they need as much support as possible from their environment, namely from organisations having both the will and the capacity (financial and spatial). The beauty of the program is that research activities are organised in a non-scientific atmosphere where science is presented in a non-intrusive manner and the role of science is propagated into the everyday lives of citizens.

## 4.2 Projects engaging the public's interest in research

Both of the presented foundations organise annual science festivals in order to enhance public interest in scientific research activities. The Slovenian Science Foundation has organised the Slovenian Science Festival with international participation each autumn (in September or October) since 1994. It is designed for all curious and knowledgeable citizens, and especially young people and their teachers. The festival is a three-day event with participants from all over Slovenia. It covers various fields of science and research. Each year the festival is dedicated to a great Slovenian or world-renowned scientists or thinkers in the field of science. In addition, the celebration of international years announced by the UN under UNESCO's initiative plays an important role at the festival.

Most festival events are realised through the active participation of attendees via workshops, an experiment fair and shows. The festival is also an event that enables the first public presentations of the results of young researchers and their teachers from Slovenian primary and secondary schools.

Furthermore, here the attendees can learn about scientific achievements and their creators, they can engage in science communication, and can establish permanent links (networks and mentorships).

The 'House of Experiments' has held a science festival only for the last couple of years. It takes place in the streets and squares of Ljubljana, usually in May. The operation and content of the festival is similar to the one organised by the Slovenian Science Foundation

Both foundations organise some events at the festival that strengthen the connection between science and various parts of the Slovenian public. A 'human-friendly' approach is used in organising these activities. Participants at the festival learn about the developmental role of science and innovation in society, creative operations and public speaking.

# 5 Conclusions

## 5.1 Main conclusions

The Republic of Slovenia had already laid down the basis for the development of civil society within the first few years of its foundation. Thus, it enabled the development of each individual in the sense of also being an active citizen in the field of social activities such as education, culture and science. When the foundations were established, citizens acquired the opportunity to become active participants (through volunteer work or donations) in the field of science and to feel responsible for it, be they professional researchers or amateurs. Furthermore, when the equality of property was obvious, the citizens realised that their personal assets could be used for the benefit of certain sectors of society, such as science.

The laying down of the Foundations Act was an important move for Slovenian society, but this did not finish off its work in this sphere entirely: on one hand it enabled the establishment of foundations by adopting the relevant law, but on the other hand it did nothing afterwards regarding the strengthening of relations between the public sector and foundations. Regarding the above, relations between the third sector, an integral part of which is made up of foundations, and the public sector have not been close enough. In other words, the public sector shows no interest in public-private partnerships. Therefore, there are practically no data on the influence of foundations on scientific research in the country. In general, only rarely are foundations invited to give their opinion or evaluate national strategic developmental documents.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Slovenia

The strengths of Slovenian foundations supporting research activities lie mainly in their high level of specialisation in selected areas: science communication and education, following modern trends in the field of science, and introducing new findings into the Slovenian arena. Opportunities for such foundations include enhancing the internationalisation of Slovenian science and supporting alternative research projects in the country.

The main weaknesses of Slovenian foundations are expressed in their low financial stability, low annual budgets and lack of staff. The majority of foundations cannot afford to employ permanent staff, not even part-time.

Slovenian foundations are threatened mainly by their increasingly marginal role due to the ignorance expressed in the public sector and due to their small budgets.

## 5.3 Recommendations

The contemporary Slovenian State introduced foundations into its legal system in 1995 – four years after its establishment – as the last missing legal entity within the framework of the *numerus clausus* principle in the area of legal entities governed by private law. That way it emphasised the principle of the equality of all kinds of property and established a basis for freely directing one's assets towards the purposes defined by The Foundation Act. The articles of The Foundation Act were based on the classic definition of a (European) foundation, a foundation based on general-benefit and humanitarian purposes with a structure based on personally appropriated assets. Unfortunately, the State has done nothing more for foundations since. It has not ensured a legal basis providing foundations with conditions for their optimal placement in society in order to carry out their mission for the benefit of individuals and national society.

Therefore, the following recommendations are seen as being crucial for positive change:

1. The public sector must change its understanding of the role and position of foundations in Slovenian society. Foundations must finally be recognised as important players in the science-and-innovation system, and therefore legislators must ensure the relevant tax relief for investors of financial and other means in foundations, as well as establishing the proper conditions for concessions and other public services. Foundations, as general-benefit legal entities, should also be eligible for tax relief.
2. The public sector must strive to enlarge foundations' capital from the State budget, especially during their first few years of operation.
3. The public sector must enhance priority employment via foundations for young graduates and doctors of science as well as temporarily unemployed experienced researchers.
4. The private sector must recognise foundations which support research activities as being priority co-creators of general and long-term public-private partnerships.

Slovenian foundations can contribute to more favourable conditions for their operations and development mainly by:

1. Promoting their position and role via the media, with the aim of improving the image and understanding of foundations, especially those supporting scientific and research activities.
2. Engaging in closer and more permanent co-operation with their individual supporters, namely citizens offering financial aid to their operations.
3. Making alliances with politicians interested in the operations and achievements of foundations striving to improve the conditions and development of scientific and research activities in the Republic of Slovenia.

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Spain Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Marta Rey-García  
Luis-Ignacio Álvarez-González

Research and  
innovation



# **Spain Country Report**

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# Abstract

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*The contents of this country report were finalized in September 2014.*

R+I foundations –those promoting research and/or innovation among their priority goals- have played a key role during recent years in the process originating from the significant decision of Spain to improve excellence and internationalization in the generation and dissemination of scientific knowledge. Results so far include a remarkable increase of the international relevance of scientific research originating from Spain, and the increasing participation of its researchers in consecutive EU Framework Programs. In this context, this research characterizes Spanish R+I foundations and measures their main economic parameters for the first time, in the context of the *EUFORI Study* (<http://euforistudy.eu/>) promoted by the European Commission for all EU member countries plus Norway and Switzerland. In order to achieve that goal, a database of 458 R+I foundations was generated from multiple sources; and 229 of them answered a structured on-line questionnaire. Results show Spanish R+I foundations are a relatively young, dynamic and diverse foundation sector, which scope is not only local or regional but also national. Despite being supported to a noteworthy extent by public policies, the sector also builds upon the decisive and growing involvement of medium and large enterprises. Spanish R+I foundations participating in this study hold over EUR 4 690 million in assets, add up to over EUR 980 million in income, and devoted over EUR 773 million to R+I expenditures (2012). Beyond characterizing the key features of the governance and management of R+I foundations in Spain, this report further identifies their main strengths and opportunities, and includes conclusions and recommendations relevant for the competitive improvement of these organizations in the context of the current Science, Technology and Innovation Spanish Strategy (2013-2020) and overall Europe 2020 strategy.

*Las fundaciones que establecen la “investigación” y/o la “innovación” entre sus objetivos prioritarios de actuación (Fundaciones de I+D) han jugado un papel clave en la apuesta de España durante los últimos años por la excelencia y la internacionalización en la generación y difusión de conocimiento científico. De esta apuesta se ha derivado un incremento significativo de la relevancia internacional de las diversas investigaciones científicas españolas, así como una creciente participación de nuestros grupos de investigación en los sucesivos Programas Marco de la Unión Europea. En este contexto, el presente informe caracteriza, por primera vez, a las Fundaciones de I+D españolas y determina sus principales parámetros económicos, en el marco del EUFORI Study (<http://euforistudy.eu/>) promovido por la Comisión de la Unión Europea entre los 27 países de la Unión, Noruega y Suiza. Para tal fin se generó específicamente, a partir de una multiplicidad de fuentes de información, una base de datos de 458 Fundaciones de I+D a las que se aplicó un cuestionario on-line estructurado que fue cumplimentado, en mayor o menor medida, por 229 de estas fundaciones. Los resultados del estudio caracterizan a este sector de fundaciones como relativamente joven, dinámico y diverso, con ámbito de actuación no sólo local o regional sino también nacional, impulsado en gran medida desde el sector público pero en el que la iniciativa privada, y en particular las medianas y grandes empresas, tiene a su vez un papel muy destacado. Las fundaciones analizadas en este estudio, con más de 4 690 millones de euros en activos, 980 millones de euros en ingresos y 773 de gastos (2012), implementan sus esfuerzos de investigación e innovación en las diversas áreas científicas clave de nuestro país. Creemos que el informe, además de detallar esta caracterización en cuanto a su gobierno y gestión, identifica las principales fortalezas y oportunidades de las Fundaciones de I+D, estableciendo conclusiones y recomendaciones relevantes para consolidar competitivamente a estas entidades en la actual Estrategia Española de Ciencia y Tecnología e Innovación (2013-2020) y en el marco de la estrategia Europa 2020.*

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# 1 Contextual Background

## 1.1 Historical background

Spain has a centuries-old tradition of voluntary, beneficent or philanthropic organisations, including foundations; many of them are directly or indirectly connected to the Catholic Church. <sup>[1]</sup> However, the relatively late economic development and democratic stability of the country in a Western European context (a market economy under a constitutional monarchy since 1978, joining the European Common Market in 1986) has been compounded by a weak civil society throughout the 19th century and well into the 20th century. As a result, its contemporary foundation sector may be considered as a late-comer from an international comparative perspective (Rey and Puig, 2013).

No matter what political system or ideology ruling the country, the political environment has been predominantly hostile to foundations during the contemporary era. In the 1820s, the liberal revolution suppressed most foundations, which were considered to be remnants of the absolutist system and unproductive vehicles for the perpetuation of the privileges of the church and the nobility. In 1849 a new law was passed ('Ley General de Beneficencia') specifically authorising the existence of foundations as marginal beneficent private initiatives, but limiting their investment practices in such a way that they were not sustainable (Rey and Puig, 2010).

The late 19th and early 20th centuries saw the return of affluent emigrants from Latin America, who started and funded in their home regions' foundations, which were mainly connected to educational and social aims (schools, hospitals, etc.). Such initiatives, however, should not be overstated. Not only was organised secular philanthropy still a minority phenomenon, but also the growth and even survival of foundations was very much hindered by a 1912 Royal Decree in force until 1994. This Decree ruled that, apart from the buildings directly necessary for developing their public interest goals, all foundations' investments should consist of public debt bonds. This resulted in a massive erosion of endowment assets (Rey and Puig, 2010).

Although Spanish civil society grew even weaker under General Franco's dictatorship (1939-1975), two parallel developments in the nonprofit sector should be noted during this period. Firstly, the creation of five nonprofits that rank among the biggest in the country today, standing out within a sector that is mostly composed of medium, small and micro organisations. The three 'entidades singulares' or special-charter NPOs have enjoyed ever since a special relationship with the government and have played leading roles in the process of institutionalisation of the third sector: Cruz Roja Española (CRE; the Spanish Red Cross), Organización Nacional de Ciegos de España (ONCE; the National Organisation for the Blind), and Cáritas

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1 The Catholic Church historically had a strong influence on contemporary society and politics until the late 20th century; it still plays a relevant role in relation to the provision of social needs, and within the social and educational nonprofit sector, higher education included.

Española (CE; the confederation Catholic Church charities, for social assistance). <sup>[2]</sup> Also included in this group of leading NPOs are two ordinary-charter organizations: Manos Unidas (MU; the Catholic Church's NGO for international cooperation) and Asociación Española Contra el Cáncer (AECC; the Spanish Cancer Campaign) (Rey, Alvarez and Valls, 2013). The AECC created its own scientific foundation in 1971, which currently occupies an outstanding place among Spanish R&I foundations.

The second development during the Franco period refers to the creation of a small group of important endowed family foundations (Juan March 1955, Marcelino Botín 1964, Pedro Barrié de la Maza 1966, and Ramón Areces 1976). These foundations stood out for two reasons. First, some of them were endowed 'a fe y conciencia,' meaning the founder conferred to the board members all the power in terms of managing their endowments and no reporting obligations were assumed, thus avoiding both the public authorities' interference and investment restrictions in place since 1912 (Rey and Puig, 2010). This undoubtedly facilitated their early survival and growth. Second, they pioneered the inclusion of research among their broad public benefit goals, in the context of a still predominantly beneficent (education-social) philanthropic sector. They paved the way for traditional forms of foundation support for research in the country, i.e. fellowships, grants and prizes for researchers, and the creation and support of research institutes such as the Centro de Estudios Avanzados en Ciencias Sociales of the March Foundation (CEACS, the Centre for Advanced Study in the Social Sciences; currently a public-private partnership at the Carlos III University). Areces, Botín and Barrié can today be considered R&I foundations according to our EUFORI definition, and are starting to lead collective action in the field of R&D together with the scientific foundation of the AECC and other private foundations. Furthermore, Botín, and to a lesser extent also Barrié, have recently adopted venture philanthropy approaches to research funding, through the participation in the capital of spin-offs from the research groups they support and other program-related investments.

After the restoration of democracy in 1976, a new framework of relationships between the State and NPOs, foundations included, emerged as a result of the late but rapid development of a democratic system, admission into what was then known as the European Common Market, sustained economic growth until 2007, and a welfare state deployed through expenditure decentralisation to regional governments; as Spain is divided into 17 autonomous communities, each with its own legislative and executive branches. The new framework was characterised by progressive secularisation, a new favourable legal and tax environment open to all NPOs, and the emergence of civil society in terms of a growing number of both nonprofits and individual and corporate donors; all along with an extended collaboration between NPOs and the State and entering new areas of activity such as international cooperation. In the foundation field, apart from traditional founders such as wealthy individuals and Catholic Church related institutions, new founders such as firms, other nonprofits and social economy entities (e.g. associations, savings banks, mutuals or cooperatives), and also public entities, actively started to create foundations (Rey, Álvarez and Valls, 2013).

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2 The relationship of mutual dependency has been labelled as corporatist, as the government grants those nonprofits special status, including privileged access not only to direct public subsidies and contracts, but also to fundraising tools such as charitable lotteries, in exchange for the delivery of services to, and for their support of public policies from the populations whose interests they represent.

## 1.2 The legal and fiscal framework

From a legal perspective, until 1994 Spanish foundations consisted of a marginal, scattered and diverse set of charitable institutions under different and even contradictory regulatory regimes, with the only common denominator being restrictions in their financial and administrative operations. The transition to democracy from 1976 onwards brought expectations of a clearer and more favourable framework for foundations. The Constitution of 1978 explicitly granted and protected the right to found for public benefit purposes (a legal outlier from an international perspective).

Democracy, however, also brought about major fiscal reform which included a strict tax treatment for foundations. Before this reform, which built the basis for the current fiscal system, foundations were completely tax exempt, donations to them were fully deductible, no amount was withheld from the recipients of their grants and fellowships, and VAT did not yet exist. After the reform donors saw the deductions on their donations substantially reduced or even eliminated; grants and fellowships became subject to retention on the beneficiaries' side; and foundations started paying taxes as if they were businesses, exemption becoming a 'special' fiscal concession (Rey and Puig, 2010; Rey and Alvarez, 2011a and 2011b).

It was not until 1994 that the first Law regulating foundations and the fiscal framework for private giving to nonprofits was passed (Ley 30/1994, de 24 de noviembre, de Fundaciones e Incentivos Fiscales a la Participación Privada en Actividades de Interés General), and the situation started to be reversed. Foundations were conceptualised as 'nonprofit organisations which, by the will of their founders, have affected their assets durably for the achievement of general interest purposes.' The Law contained an open list of general interest purposes, broadly including educational, social, research, cultural or environmental ones. A unified civil and tax regime was provided, both private and public entities with legal status were allowed to become founders, and partial tax exemptions for nonprofits and tax deductions for their donors were granted (Rey and Puig 2013).

The 1994 legal and fiscal milestone was followed by the passage of abundant foundation regulations at a regional level, the State-wide 2002 Foundation and Fiscal Laws currently in force (Ley 50/2002, de 26 de diciembre, de Fundaciones), and other general laws and standards that have also influenced foundations' behaviour and structure, such as the successive adaptations of the General Accounting Plan for nonprofit entities (1998 and 2011). As a result of this process, Spanish foundations further obtained recognition from the State and became institutionalised, at the price of becoming intensely, fragmentarily and tightly regulated from a European comparative perspective.

On one hand, Spain seems to be the only European country with a strict 'pay out' or distribution rule under Civil Law. Foundations must spend at least 70 % of their net annual income over a four-year period in grantmaking and direct charitable activities, regardless of their choice for tax regime. On the other hand, the registration of new foundations and the supervision of existing ones lies in the hands of around 50 administrative units depending on the State or regional governments. These 'protectorates' and 'registries' are entrusted with a variety of functions (providing basic regulatory information, reviewing annual reports and accounts, dissolving inactive foundations, etc.) and may appear in court to apply for enforcement measures (the liability and dismissal of board members; the annulment of decisions against the law

or bylaws, etc.). Although the data deposited in these units are public, they are scarcely accessible, as no databases or digital documents are available (Rey and Alvarez, 2011a and 2011b).

Despite these shortcomings, foundations have become not only the typical formula for institutionalising philanthropy, but also one of the two alternatives used to incorporate organisations which are nonprofit from a fiscal perspective. It should be noted that foundations present three important advantages relative to associations. First, there is the brand effect derived from being called ‘foundation,’ as not all associations pursue public benefit goals. Second, the absence of members facilitates board control in foundations. Last but not least, all registered foundations are automatically granted civil charitable or nonprofit status. They are consistently eligible for tax exemption and may receive tax-deductible contributions, if they voluntarily opt into the ‘special fiscal regime’ and comply with certain administrative requisites and reporting controls. As for associations, their civil charitable or nonprofit status is not automatic, but requires a ‘declaration of public utility’ after some years of operations for the public good, which is also a prerequisite to opting for tax benefits. As a result, in 2005 there existed 279 343 registered associations in Spain, but only 9 500 had obtained the ‘declaration of public utility’ granting them nonprofit status (Garcia Delgado, 2009). Consequently, in terms of number of organisations, foundations are estimated to account for approximately half of the nonprofit or third sector of the country nowadays.

The current Foundation and Fiscal Laws, in force since 2002, have shifted the main role of the supervisory entities from *ex ante* control to counselling and *ex post* control. They have substantially improved the tax exemptions for foundations, but only slightly in terms of tax deductions for donors. The possibility that foundations actively participate in economic activities and own majority shareholdings in companies (dividends are tax-exempt under the same conditions applicable to other types of foundation income), has been not only recognised but also expanded (‘fundaciones-empresa’). The flexibility of reporting procedures for foundations has been improved. Among the issues left unresolved, foundations remain the final consumers of the VAT for their exempt activities, and retentions on grants and fellowships still apply (Rey and Puig, 2010 and 2013).

However, some substantial changes to this framework might be expected in the near future. A new patronage law (Ley de Mecenazgo) has been lengthily demanded by stakeholders, but so far only moderate improvements for tax deductions by corporate and individual donors to foundations and other NPOs have been contemplated within ongoing fiscal reform. It should be noted that current deduction percentages in Spain (25 % for natural persons and 35 % for businesses) rank far below those established by comparable countries such as France or the UK. On the other hand, the government recently passed a first draft for a new Foundation Law (Anteproyecto de Ley de Fundaciones), without the participation of the national association that represents the foundation sector’s interests. The draft establishes a unique state-wide foundation registry, the requirement for previous administrative authorisation in order to incorporate a new foundation, and resolutions to foster good governance and transparency in foundations.

## 1.3 The foundation landscape

The Spanish foundation sector, although emerging in this context almost seven decades after the dawn of the contemporary foundation sector in the United States, has grown at a fast rate ever since. According to Wings' Philanthropy Data Network, Spain currently ranks third among the top EU member countries in terms of the number of registered foundations (after Germany and Hungary), with more than 12900 public benefit foundations – not including some 1 100 Catholic Church foundations organised under Canon Law. Exponential growth has been paired with the appearance of successful collective action. The Spanish Association of Foundations (AEF), representing the sector's interests since 2003 and originating from a merger of pre-existing associations of foundations dating back to 1978, has become the second largest national association of foundations in Europe with nearly 1 000 members, after the German Bundesverband Deutscher Stiftungen.

The Spanish foundation sector has consequently become a relevant social and economic player, as foundations have provided an organisational umbrella for an increasing portion of initiatives from the emerging civil society and non-profit sector in the country during the last three decades. According to the available estimates, in 2005 the Spanish foundation sector represented 0.677 % of the total equivalent paid employment, and 0.061 % of the Gross Value Added of the country (García Delgado, 2009). Its growing importance is grounded on the highly significant number of member organisations; the wide diversity of social demands being addressed by them; the number and diversity of beneficiaries being served; the volume of direct and indirect employment and unpaid human resources (board members and volunteers) involved; and the volume of economic resources devoted to the public good. All these variables are described for the foundation sector in general (therefore including and contextualizing R&I foundations) in the following paragraphs according to Rey and Álvarez (2011a and 2011b), relative to the 2009 data.

For the purpose of the EUFORI Study, foundations are defined according to the Institute of Strategic Analysis of Foundations or the INAEF project (Rey and Alvarez, 2011a and 2011b) as: '...entities with their own legal personality; that do not distribute profits and aim at public benefit purposes; constituted and inscribed as such before the corresponding foundation registry; of a private nature; and basically subject to civil law fundamentals under State rule.' This framework applies to all the foundations in the country, regardless of the regional foundation regulations existing in 15 autonomous communities. However, although all foundations are charitable and nonprofit entities of a private nature from a legal perspective, it should be taken into account that around 9 % of Spanish private foundations originated from public initiative, meaning public administrations and agencies control their boards, as they have played a dominant role in co-founding and/or co-funding them (Rey and Álvarez, 2011b). This is the case for a significant subset of R&I foundations created by public universities, hospitals or development agencies.

According to the previous definition, there existed 12 921 registered foundations as of late 2009; 9 050 of them are estimated as being active according to the INAEF census. Spanish foundations in general are characterised as predominantly young, small and operating. Only a minor portion holds substantial assets. 54.1 % of existing foundations have endowments over EUR 30 000, which is the minimum initial endowment currently considered as 'sufficient' by the law to incorporate a new foundation. The majority are

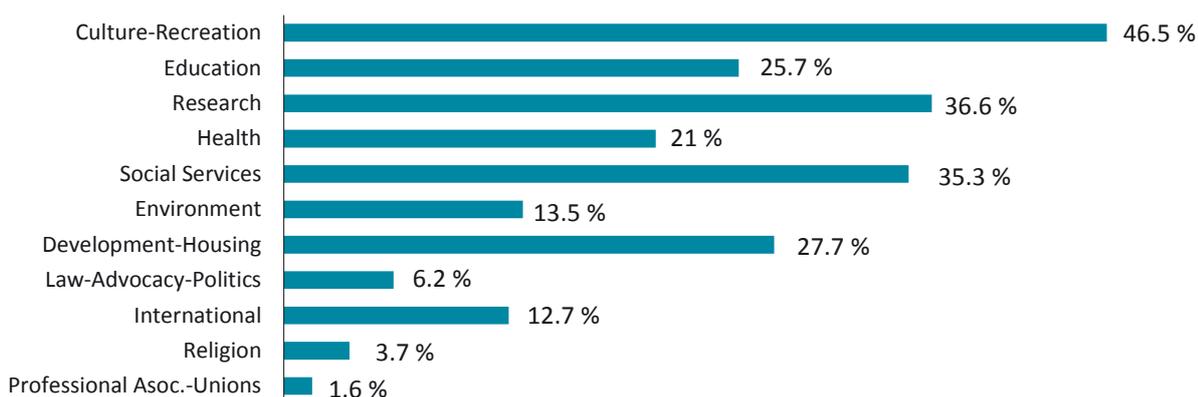
'pass-through' foundations, financially dependent on annual fundraising from public and private donors, and/or fees for services. As a result, the foundation sector is highly skewed, with 65.9 % of foundations with an annual income below EUR 500 000 and only 3 % with an annual income over EUR 10 million.

Although the rate of creation of new foundations has steadily increased since the advent of democracy, the true turning point in the annual rate of growth was the first foundation Law of 1994, according to the reasons mentioned in the previous section, with 65.3 % of registered foundations being created after that year. The annual average number of new foundations has risen in Spain from 80 in the 80s, to 255 in the 90s, and slightly over 370 in the 2000s. While 363 new foundations were created in 2009, the first full year under the effects of the current economic crisis in Spain, only 277 new foundations were created in 2013.

Even though the foundation sector shows an outstanding degree of diversity in terms of types of public benefits pursued (according to the International Classification of Nonprofit Organizations, ICNPO), research is mentioned by 36.6 % of foundations as being among their four main areas of activity, which is the second most prevalent after culture and recreation (46.5 % of foundations). Research is preferred both to traditional areas such as social assistance (35.3 %), education (25.7 %) and health (21 %), and to recently boom areas such as development and housing (27.7 %) and environment (13.5 %). The rest of the areas are mentioned by less than one fifth of foundations (see Figure 1). Whereas social services were the most prevalent area of activity for foundations created before 1978, culture and recreation took the lead from 1979 onwards, and research increased its share from the late 1990s onwards. This reflects the diversification of a traditionally beneficent-oriented foundation sector in response to both new societal demands and cultural change, and to public policies and funding focused on those newly emerging areas (Rey and Álvarez, 2011b).

Three out of four Spanish foundations (74.6 %) consider the operating model as their main model of activity, as they devote their resources to operating their own projects or programs, running establishments (particularly for social assistance), or managing entities with their own legal personality (basically other nonprofits such as associations). Only 31.9 % of foundations choose grantgiving as their main model of activity, and 18.6 % of foundations mainly devote their resources to raising public awareness or to mobilising civic action.

**Figure 1: Main areas of activity (ICNPO) of Spanish foundations**



96 % of foundations consider groups of individuals to be their main beneficiaries, with a special focus on the general public, followed by students, researchers and teachers; segments of population at risk of becoming socially excluded, infants and youth, disabled people and families. Moreover, 54.2 % includes other organisations among their main beneficiaries, mainly other nonprofits (e.g. associations of victims of diseases or disabilities), businesses (e.g. R&I foundations promoted by industry associations), or public entities (e.g. R&I foundations promoted by public universities or hospitals) (Rey and Álvarez, 2011a and 2011b).

Over 200 000 people committed their time and expertise to Spanish foundations, paid or unpaid, in 2008 (see Figure 2). Between 2008 and 2010 direct jobs experienced a 7.78 % increase (from 95 942 to 103 410 jobs); the number of foundations generating employment increased by 5.95 % (from 3 515 to 3 724 foundations); and the average number of direct jobs per foundation rose by 1.73 % (from 27.3 to 27.8 jobs per foundation). The full effects of the economic crisis on the foundation sector would be experienced in 2011, 2012 and 2013 resulting in closures, personnel cutbacks and wage reductions.

**Figure 2: Human resources involved in foundations: typology and basic data (2008)**

	Internal	External
Paid	95 942 direct employees N=3 515 foundations	15 916 indirect jobs N=498 foundations
Unpaid	36 135 board members N=1 281 foundations	48 391 volunteers N=1 281 foundations

Source: Rey and Alvarez (2011a and b)

Regarding financial variables, the data obtained for a sample of more than 3 800 foundations reveal their predominantly ‘spending’ nature, with aggregated expenditure of over EUR 5 222 million in 2008, and a narrow surplus-positive difference between revenue and expenditure. 53.6 % of foundations exceeded a total expenditure of EUR 150 000, and 11 % had a total expenditure of over EUR 2 400 000 Euros. Regarding assets volume, 60.1 % of the foundations in the sample had total assets of over EUR 150 000 Euros. Only one third had endowments similar or superior to their total revenue, confirming the non-endowed nature of the vast majority of Spanish foundations (an endowed foundation being defined as one which an endowment is significant enough for its returns to become the main funding source for its public benefit activities).

## 1.4 Research/innovation funding in Spain

From a policy perspective, Spain has made a firm and irrevocable bid for excellence and internationalisation in science during the last decade, resulting in the increased relevance of Spanish researchers (particularly in the biomedical field, but not only) and growing participation in the EC Framework Programme. However, the development of R&I in Spain is still lagging behind relative to the economic and demograph-

ic weight of the country. The successive National Plans of Research, Development and Technological Innovation implemented between 2000 and 2011 did not achieve their goals. Only in 2003 did expenditure on R&D exceed over 1 % of the GDP. However, important investments, mainly of public origin, have been made during the last two decades in research infrastructure and human resources, resulting in both quantitative (expenditure, employment) and qualitative (internationalisation, active policies, involvement of business players) advancements. Unfortunately, the economic turmoil has challenged these achievements as public funding for R&I has been subject to the biggest cuts in relative terms. Regardless of the effects of the crisis, it should also be noted that R&D efforts by companies, both national and multinational, still rank among the lowest in the EU, amounting to only around 50 % of the total R&D expenditure. Public-private partnerships and triple helix schemes are scarce, and many fail or operate below their potential (Gutiérrez, 2012).

Expenditure on R&D&I per inhabitant in Spain in 2011 amounted to EUR 303.7, far below other European countries of comparable size, such as Germany, France or the UK (with EUR 901, EUR 691 and EUR 496, respectively); and slightly below Italy (EUR 326). However, it should be noted that this indicator has experienced a 115.2 % increase since 2000 (with a 109.27 % increase in private sector expenditure, and 165.04 % increase in public sector expenditure); with an average annual growth of around 10.5 %, slowing down only during the recent economic crisis. Investments in R&D&I amounted to 1.33 % of the Spanish GDP in 2011, significantly below Germany (2.84 %), France (2.2 %) and the UK (1.77 %), or the EU-27 average (2.09 %). It should be noted, however, that the EU average is far below the USA's and Japan's. Once again this indicator grew in Spain between 2000 and 2011 (46.25 %), exceeding the rates of growth of Germany, France and the UK (14.98 %, 4.65 % and -2.21 %, respectively), and also the average for the EU-27 (12.37 %) (Strategic Research Centre, 2013).

Expenditure on R&D in Spain in 2012 amounted to EUR 13 392 million (equivalent to 1.3 % of the GDP), after a 5.6 % decrease relative to previous year. As far as the sectors executing this expenditure are concerned, businesses contributed the largest portion (53 % of the total), followed by higher education institutions (27.7 %), public administrations (19.1 %) and nonprofit organisations – mainly but not exclusively foundations (0.2 % of the total). Expenditure on military R&D represents a minor portion of the total relative to other comparable countries, as over 90 % of R&D expenditure goes to the civil sector. In 2012 public administration expenditure decreased by 7.4%, higher education expenditure decreased by 7.2%, and business expenditure decreased by 4.1% relative to previous year, reflecting the effects of the economic crisis (Sanz and Cruz 2010; Cotec Report, ICONO and INE, 2013).

In the specific area of innovation, Spain has been labelled a 'Moderate innovator.' Its performance in this field, despite improvements experienced between 2006 and 2013, is not only below the EU average for most indicators, but also the country's performance gap relative to the EU has increased. In 2008 the relative performance level was 77 %, whereas in 2013 it decreased to 75 %. Relative weaknesses are in 'license and patent revenues from abroad,' and 'knowledge-intensive service exports.' Relative strengths are in 'international scientific co-publications,' 'sales share of new innovations,' and 'community trademarks.' Strong growth was observed in 'international scientific co-publications,' 'sales share of new innovations,' and 'PCT patent application in societal challenges.' The largest growth decline was observed for the 'ven-

ture capital investment' indicator. Other notable declines are in 'SMEs innovating in-house' and in 'community designs' (European Commission, 2014).

From a policy perspective, most relevant recent developments have consisted of the passage of the Spanish Strategy for Science and Technology and Innovation (2013-2020) and the National Plan of Scientific and Technical Research and Innovation (2013-2016). The general purpose of the Strategy is to promote scientific, technological and business leadership in the country and to improve the capacity of Spanish society and economy to innovate. It aims at fostering the collaboration of all the relevant players, both public and private, in the context of a full alignment of the national system with the goals deployed by the European Union through the 'Union for Innovation' and 'Horizon 2020' frameworks. The Strategy is open to all types of beneficiaries, including nonprofit organisations that are headquartered in Spain and undertake R&D as their main activity according to their charter, generating scientific or technological knowledge. Consequently, the foundations included in the EUFORI study have the potential to become relevant participants in the context of active R&D&I policies. The Plan establishes the purposes and priorities of the national policy of research, and development and innovation in the medium term. Both the Strategy and the Plan emphasise employability, research excellence, business leadership of R&D&I and the orientation of R&D&I towards societal challenges (Ministerio de Economía y Competitividad, 2013).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

The first methodological task consisted of preparing a census of Spanish foundations developing R&I activities according to the conceptual framework established by the EUFORI study for all the participating countries. Elaborating this database was essential, as no nominative list of this type of foundation existed. The only available approximations were: (1) previously published directories of foundations (those from the Spanish Association of Foundations, 2007), (2) a census carried out at a national level (by the Spanish Association of Foundations) and at a regional level (by Andalusian, Extremaduran, Catalanian and Basque Country associations of foundations), and (3) studies on Spanish foundations, either at a regional (Andalusia, Aragon, the Canary Islands, Catalonia, Asturias), or a sectorial level (labour and health foundations). Although foundations generally active in ‘research’ were included in all these sources, and the Statistics National Institute (INE) publishes data on R&D activities in the nonprofit sector, the category of foundations active in ‘innovation’ was rarely mentioned and never specifically quantified. It should be noted that Spain was not selected to test the methodology of the FOREMAP (Foundations Research and Mapping) study. This project, co-funded by the European Foundation Centre (EFC) and the European Commission (7th Framework Programme), was the first attempt to systematically document foundations’ contribution to research in Europe, and involved a pilot mapping for Germany, Portugal, Slovakia and Sweden (EFC et al., 2009).

The second challenge involved in the elaboration of a specific database for the EUFORI study consisted of distinguishing R&I foundations according to the EUFORI definition from a wider range of foundations that mention in their bylaws or activity reports either ‘research’ or ‘innovation’ as being among their purposes. It should be noted that most Spanish foundations include in their bylaws a broad range of public benefit goals, in order not to limit their future operations and fundraising opportunities. Furthermore, they frequently label as ‘research’ activities that do not fit with the EUFORI conceptualisation of R&I foundations (e.g. publishing and disseminating academic works).

In order to overcome this dual challenge, multiple secondary information sources were combined in order to identify a representative group of R&I foundations according to the EUFORI definitions of ‘research’ and ‘innovation.’ Sources included directories of scientific, research and technological development organisations under the State Protectorate of the Ministry of Education, Culture and Sports; relevant sectorial groups of the Spanish Association of Foundations; listings of scientific and technological parks and innovation centres under the Ministry of Economy and Competitiveness and the Basque, Catalan, Andalusian and Galician governments; as well as foundations’ annual reports and websites.

The results of this editing and systematisation process consisted of an initial database of 528 Spanish R&I foundations that could potentially fit the EUFORI definition and receive the online questionnaire. Each item included basic contact data such as the name and ID of the foundation, their email, phone number and target recipient. The questionnaire was sent to the person in charge of the daily activities and decisions of the foundation, mainly the director or, if unavailable, the chairman.

## 2.2 The survey

The online EUFORI questionnaire was sent by email, together with a cover letter inviting participation in the study, to the 528 R&I foundations in the ad hoc designed database. This mailing was not effective in the case of 36 foundations. A specific analysis of these items through the available online information and websites, phone calls etc. found that they were either inactive or undergoing a liquidation and dissolution process. Additionally, a group of 34 foundations had terminated their research activity, or the area was insignificant in comparison with their main area of activity. This second group was identified through a similar specific analysis, or through the first variable of the online questionnaire, as these foundations, when answering the filter question 'Did your foundation fund/operate research and/or innovation (R&I) activities between 2005-2012?' chose the option, 'No, go to end of questionnaire.' Consequently, the census of foundations as an object of analysis was reduced to a maximum of 458 Spanish R&I foundations. We argue that this group of foundations selected for the survey is highly representative of the R&I foundation sector, as they not only fit the EUFORI definition but are also devoted to R&I as one of their main areas of activity.

The online questionnaire was filled in, to a greater or lesser extent, by a total of 229 foundations. However, as anticipated, not all the respondents can be considered R&I foundations, as 21 of them (9.2 %) declared they had not been funding or operating research and/or innovation activities. Consequently, the final sample was reduced to 208 valid surveys, implying a response rate of 45.4 % over the final census of 458 foundations that were the object of analysis. This is an overall improvement on the usual response rate for online surveys using the methodology described here, and involves a sample error for the worst possible case of  $p=q=0.5$ , of  $\pm 5.03$  %, which is within commonly accepted limits. However, despite the high response rate, it should be noted that the considerable length of the initial (complete) version generated a significant increase in the number of missing values as the questionnaire went on, preventing the conclusion of statistically significant results for some of the variables.

Finally, it should be mentioned that 63.9 % of the questionnaires filled in between April and August 2013 were the complete versions, while the remaining 36.1 % were the short versions, filled in between September and early November 2013.

## 2.3 The interviews

The method of the qualitative part of the study consisted of performing six semi-structured interviews with a selection of both representative R&I foundations (3) and external stakeholders (3). As the reference period of the EUFORI study was 2005-2012, the general selection criteria consisted of identifying which institutions are not only highly representative of the main transformations occurring during this period

both in the foundation sector and in the field of R&I funding and policies – already outlined in previous section – but which can also offer a global vision of the following challenges due to their professional background and position, namely:

1. The internationalisation of R&I players.
2. The growing importance of the involvement of businesses in the R&I field.
3. The deployment of active R&I policies at a State and regional level, under the stimulus of European policies in this field.
4. The institutionalisation of the Spanish foundation sector in general.
5. The consolidation of corporate foundations active in the field of R&I, and the restructuring of corporate foundations connected to savings banks active in the fields of social services and culture.

The specific selection criteria for foundations consisted of combining the largest Spanish foundation (in terms of total budget) of a corporate nature, with two relatively small foundations, one independent and the other corporate; all of them sharing a certain degree of internationalisation, innovation support and leading roles in collaboration networks; as well as utilising a range of tools (from prizes to science museums, fellowships or debate platforms). The specific criteria for stakeholders required expertise in the subfields of innovation, R&I policy and fundraising for R&D organisations. The presence of one expert formerly counseling the Ministry of Science and Innovation under Socialist rule (2008-2011), was combined with the participation of a current representative of a public foundation with the responsibility of promoting R&I at a State level, appointed by the conservative government now in place. An independent consultant with a long track record of fundraising at both a national and European level was also included. As a result of the combination these general and specific selection criteria, the participation of the following interviewees was secured:

- Teresa Sanjurjo, Director, Fundación Príncipe de Asturias (founded 1980). This Foundation was created at the beginning Spain's transition to a democratic system. It aims at consolidating the existing links between the Principality and the Prince of Asturias, and at promoting the scientific, cultural and humanistic values that form part of mankind's universal heritage. The Prince of Asturias Awards, consisting of EUR 50 000, a specially commissioned Joan Miró sculpture, a diploma and an insignia, are presented annually by HM King Felipe VI in Oviedo. They include a 'Technical and Scientific Research' category, rewarding both basic and applied research achievements. The Foundation is a member of the European Foundation Centre and the Spanish Association of Foundations. Furthermore, Teresa Sanjurjo is a member of The Hague Club and used to be the director of the Spanish Association of Foundations.
- Enric Banda, Manager of the Area of Science, Research and Environment, Fundació 'la Caixa'. A general-purpose foundation with a strong social focus (receiving over 60 % of its investment), Fundació 'la Caixa' has also a very active profile as a supporter of both research (mainly through grants for institutions and researchers in the fields of biomedicine and environment), and research-related activities (science museums and science education). The origin of this foundation goes back to the early 20th century, with the institutionalisation of the so-

cial work ('obra social') of savings banks, which would later create their own corporate foundations. 'la Caixa' Foundation is now a banking foundation connected to a publicly traded bank ('Caixabank') resulting from the general restructuring of the savings banks sector in the country. With a budget of EUR 500 million for 2010, 'la Caixa' Foundation ranked as Spain's leading private foundation, the second in Europe and the fifth in the world in terms of budget volume. It is also a leading member of the European Foundation Centre and the Spanish Association of Foundations.

- Miguel Osset, Executive director, Fundación Víctor Grifols i Lucas (founded 1998) until May 2014. This corporate foundation was created by the Spanish holding company Grifols, specialising in the health-pharmaceutical sector and parent company of the Grifols Group of companies, mainly active in the research, development, manufacturing and marketing of plasma derivatives and other hospital supplies. The foundation's mission consists of promoting bioethics through a platform for dialogue between organisations and specialists active in the field of human health. Its activities include awarding grants and prizes, organising conferences, producing and disseminating publications, and collaborating with third-party research projects. Furthermore, Miguel Osset's previous professional background is in R&D in a consumer goods multinational company. The interview was held while he was the Executive director of the foundation. He is currently a consultant for RRI & FMCG in the Southern European Region.
- José Ignacio Fernández, Director general, Fundación Española para la Ciencia y la Tecnología (FECYT) (created 2001). FECYT is a public foundation dependent on the Ministry of the Economy and Competitiveness, whose mission is to promote science, technology and innovation through integration in society, and at the demand of the needs of the Spanish system of Science, Technology and Business. Its goals consist of increasing private participation (from citizens to organisations) in R&D&I, promoting scientific culture and dissemination, analysing the metrics of science and innovation, increasing the international recognition of Spanish science, and supporting R&D&I management structures through better access to international databases of scientific works. As a public foundation, FECYT has been excluded from our EUFORI database, but it should be considered as a relevant stakeholder that has proactively interacted with private foundations in this field and explored their potential for public policy. On one hand, FECYT coordinates the national network of science, technology and innovation museums comprising over 24 centres, and including the scientific museum currently managed by 'la Caixa' Foundation in Barcelona (Cosmocaixa). On the other hand, in 2012 it promoted the Fundación de Apoyo al Museo Nacional de Ciencia y Tecnología (Famuncyt), in order to raise funds for the National Science and Technology Museum. Finally, FECYT has recently promoted the creation of a 'Counsel of Foundations for Science' including 10 private foundations supporting R&D&I: Fundación Ramón Areces, Fundació la Caixa (Àrea de Ciència, Investigació y Medioambiente), Fundación Científica Asociación Española contra el Cáncer AECC, Fundación Pedro Barrié de la Maza, Fundación Botín, Fundación GMP, Fundación Víctor Grifols i Lucas, Fundación Josep Carreras, Fundación Salud 2000 and Fundación Alicia Koplowitz. It has also launched its own crowdfunding platform to promote individual donations to science ([www.precipita.es](http://www.precipita.es)).

- Diego Moñux, Executive Partner, Science & Innovation Link Office (SILO) (founded 2012). SILO is an advisory firm providing personalised services to companies and institutions' senior management in the fields of science and innovation policy, internationalisation processes, new technology-based projects and start-ups. Moñux was formerly advisor to Cristina Garmendia while Spanish Minister of Science and Innovation (2008-2011). Before her appointment, Garmendia was President of the Inbiomed Foundation and the Spanish Society of Bio enterprises, and founded Genetrix, a biotechnology company, and YSIOS, a venture capital firm specialising in health and biotechnology, where she returned after her term was over.
- Ricard Valls, Executive partner, Zohar Consultoría and Marketing Social. Ricard Valls-Riera is an independent consultant to nonprofit organizations and public administrations, with 25 years of experience in areas such as social marketing, social innovation, public-private partnerships and fundraising. He is founder of the European and Spanish Fundraising Associations and author of the book 'How to Raise Funds With Success' (2002), among other books related to the third sector.

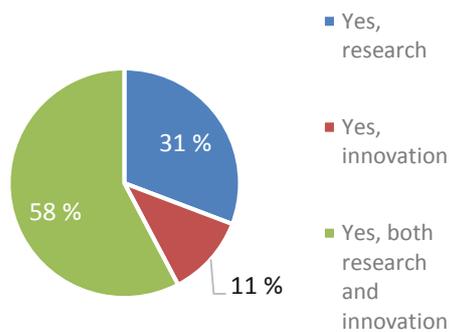
Regarding the interview structure, the semi-structured topic list for interviews, provided by the EUFORI coordinating team as a supporting document for the Amsterdam workshop on 19 September 2013, was used as a basic reference. Additional questions were asked in order to clarify specific gaps in the quantitative data, to snowball the most innovative foundations in the field of R&I, and to effectively tap into the rich background of the interviewees' expertise.

# 3 Results

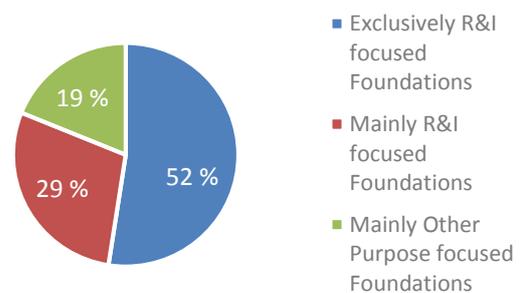
## 3.1 Types of foundations

The majority of Spanish R&I foundations fund/operate a combination of research and innovation. More specifically (see Figure 3), 58 % of R&I foundations funded or operated research and innovation activities between 2005 and 2012, almost doubling those focusing exclusively on research. Only 11 % of foundations restricted themselves to innovation activities. It is worth noting that 81 % focus exclusively (52 %) or mainly (29 %) on R&I (see Figure 4), reflecting the highly specialised profile of the foundations in this field.

**Figure 3: Types of foundation; research and/or innovation**  
As a percentage of the total number of foundations (N=208)

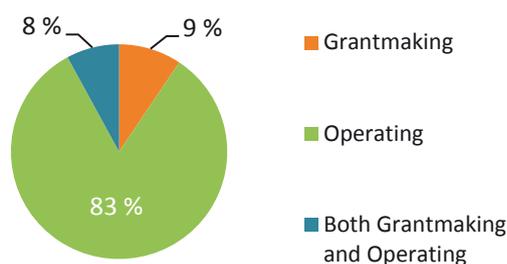


**Figure 4: Types of foundation according to purpose**  
As a percentage of the total number of foundations (N=122)

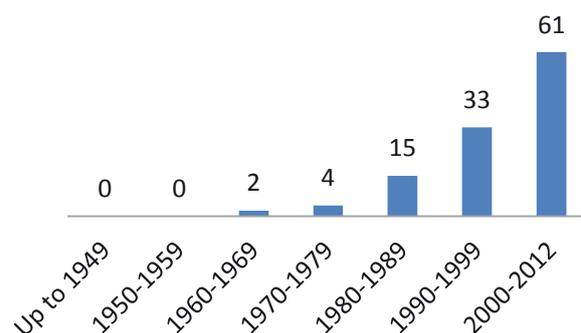


Most Spanish R&I foundations are of the operating type, which is consistent with the overall profile of foundations in the country. While 83 % of them (see Figure 5) state they exclusively use their expenditure to carry out their own projects, 9 % use their expenditure on grants for other organisations, and/or to support projects carried out by other organisations. Only 8 % consider they combine both types of category.

**Figure 5: Types of foundations; grantmaking versus operating**  
As a percentage of the total number of foundations (N=191)



**Figure 6: Types of foundations according to year of establishment**  
Number of foundations by decade (N=115)



Although the average age slightly exceeds 14 years, most Spanish R&I foundations were established during the 21st century, and particularly during the 2000s, thus tending to be the youngest in a young Spanish foundation sector. Although 53 % were registered after 2000, only slightly over 5 % were created since 2010 (see Figure 6). These data are consistent with the evolution of the institutional framework: the first National Plan of Research, Development and Technological Innovation, started in 2000, combined with regional and EU funding opportunities for research; and the 2002 Foundation Law, currently in force, improved tax incentives for corporate and individual donors to all foundations, and was followed by specific tax breaks for R&I activities that could be accumulated as general deductions.

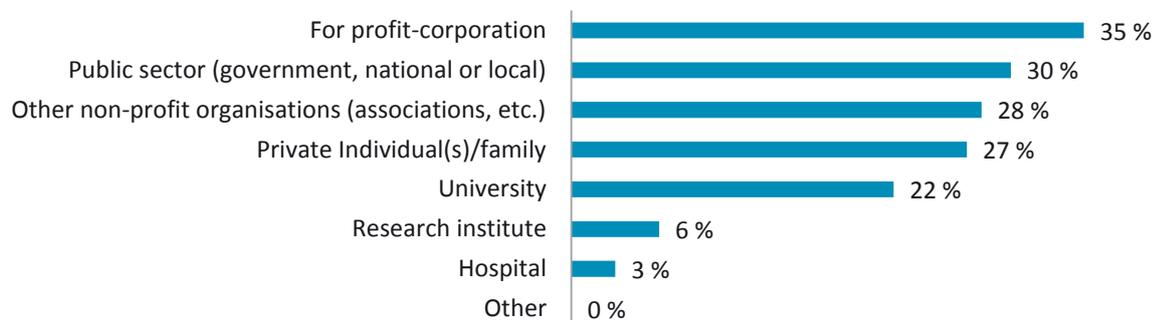
## 3.2 The origins of funds

### 3.2.1 Financial founders

Spanish R&I foundations have not been promoted by any type of financial founder in particular. In fact, (1) for-profit corporations, (2) the public sector, (3) other nonprofit organisations (NPOs), (4) private individual(s) or families, and even (5) universities have promoted foundations with similar percentages, all around 30 % (see Figure 7). This reflects the adequacy and potential of the foundation as a legal instrument to formalise and funnel the long-term partnerships of different players, both private and public, which are needed in the field of R&I.

**Figure 7: Financial founders**

As a percentage of the total number of foundations, multiple answers possible (N=116)

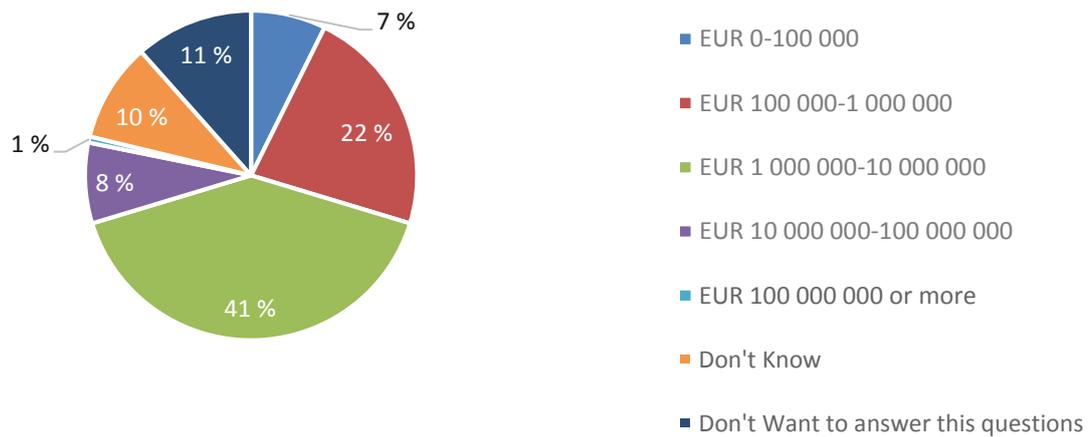


### 3.2.2 Income: total income and sources of income

The total income of Spanish R&I foundations adds up to over EUR 980 million, with the majority of foundations having a total annual income between EUR 1 and EUR 10 million. 41 % of foundations fall within that range (see Figure 8), while 22 % count on a total income of between EUR 100,000 and EUR 1 million per year. As the distribution is highly skewed, the average total income is EUR 7.5 million per foundation/year, but the median value is under EUR 2 million.

**Figure 8: Total income according to category in Euros, 2012**

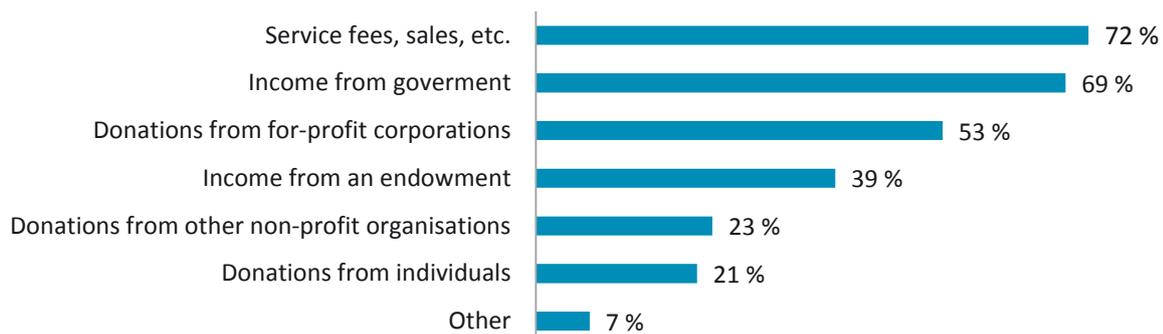
As a percentage of the total number of foundations (N=165)



The most frequent sources of income for Spanish R&I foundations are the following, in order of importance: (1) service fees or sales, (2) income from the government (EU, national, regional or local) and (3) donations from for-profit corporations. Around 70 % of foundations rely on the first two types (see Figure 9); while the third is shared by 53 % of foundations. This mix of earned income-government income-business donations is typical of technology centres and parks and research institutes incorporated as foundations. Furthermore, endowment incomes (interest, dividends and capital gains) are seen in 39 % of foundations, while slightly over 20 % count on donations from individuals and other NPOs. These data are consistent with the weakly-endowed profile of Spanish foundations in general; however, when compared with other areas of activity, they suggest there is a big opportunity for the growth of individual donations and bequests for research and innovation in the country. In the context of the qualitative part of this study, and according to Ricard Valls (executive partner, Zohar Consultoría and Marketing Social), an example of this untapped potential is provided by the Instituto de Ciencias Fotónicas (ICFO, The Institute of Photonic Sciences) in Barcelona: ‘the success of the ICFO in raising private funds demonstrates that the number of individual donors to R&I is increasing, that there are many untapped wealthy donors with a potential interest in health and science in general, and that crowdfunding is growing in Spain, almost doubling each year. Another tool with a potential for exponential growth consists of actively seeking out bequests, an untapped market worth EUR 132 million, with a high potential for health research”.

**Figure 9: Sources of income**

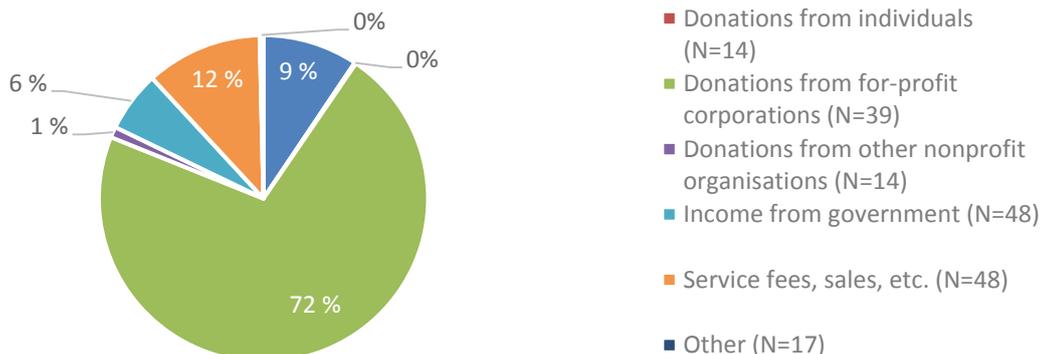
As a percentage of the total number of foundations (N=163)



However, as a portion of the total volume of income, the main source of income for Spanish R&I foundations is donations from for-profit corporations. Almost three out of every four Euros, exactly 72 % of the (known) income, equivalent to at least EUR 316 million (Figure 10), comes from this source. Other relevant sources of income are: services fees, sales, etc. (12 %), income from an endowment (9 %) and income from the government (6 %). These data are consistent with the corporate nature of some of the largest (in terms of income volume) foundations in the field, whose budget mainly comes from an annual donation from the business controlling them.

**Figure 10: Sources of income**

As a percentage of the total (known) income



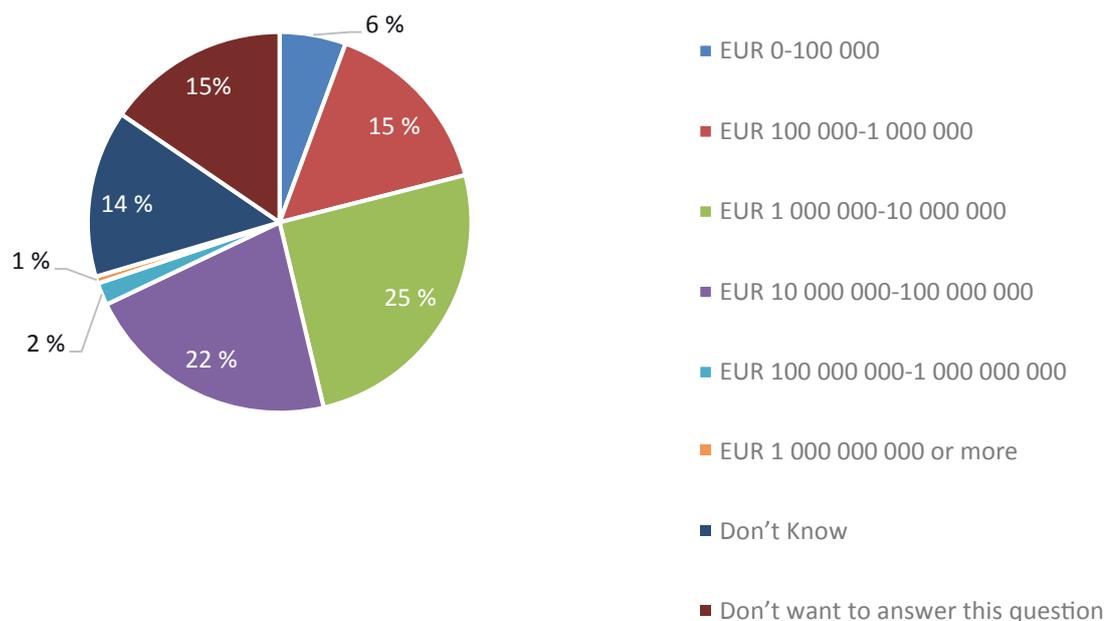
Sources of income	Amount in Euros
Income from an endowment	41 300 000
Donations from individuals	600 000
Donations from for-profit corporations	316 000 000
Donations from other nonprofit organisations	4 678 849
Income from the government	26 444 204
Service fees, sales etc	50 487 374
Other	1 615 927
Unknown	539 148 215
<b>Total income</b>	<b>980 274 569</b>

### 3.2.3 Assets

The total assets of Spanish R&I foundations add up to over EUR 4 690 million, with a majority of foundations counting on assets between EUR 1 and 10 million, followed by those within the EUR 10 to 100 million range. Specifically, 25 % of foundations have assets valued between EUR 1 and 10 million, and 22 % range between EUR 10 and 100 million (see Figure 11). This highly skewed distribution translates into average assets of slightly over EUR 41 million per foundation, and a median of EUR 5.5 million.

**Figure 11: Total assets according to category in Euros, 2012**

As a percentage of the total number of foundations (N=162)

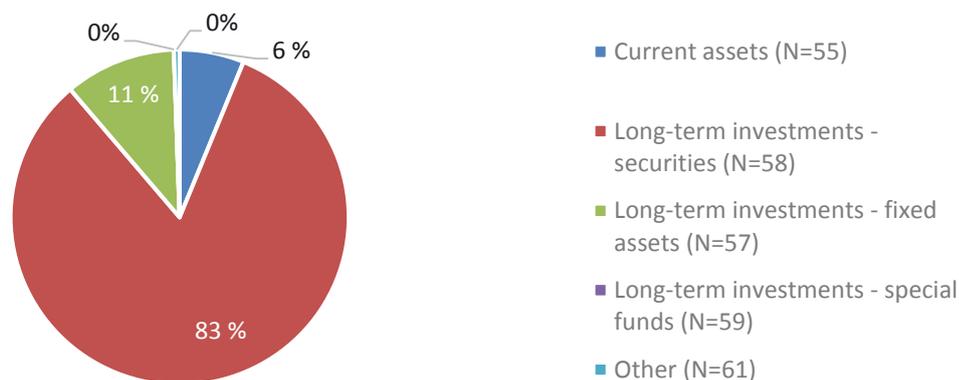


Statistics on assets	
Number of foundations	114
Mean in Euros	41 144 720
Median in Euros	5 494 500
Total Assets in Euros	4 690 498 071

Taking into account the available observations, the main type of asset held by Spanish R&I foundations consists of long-term investments in securities (e.g. bonds, common stocks and/or long-term notes). This type of asset amounts to 83 % of the total (known) assets, equivalent to EUR 2 771 million (see Figure 12). However, these data are strongly conditioned by one case with assets of over EUR 2 767 million, mostly consisting of securities. If this case is excluded, the main type of asset consists of long-term investments in fixed assets, with over EUR 357 million, followed by current assets (over EUR 206 million), and long-term investments in securities (EUR 169 million). Once again, it should be noted that there is no cap on shareholdings in companies that foundations own in Spain, so the foundation legal formula is sometimes utilised to favour the control of companies by their owners or managers.

**Figure 12: Distribution of assets**

As a percentage of the total (known) assets



Distribution of assets	Amount in Euros
Current assets	206 913 168
Long-term investments – securities	2 771 038 712
Long-term investments – fixed assets	357 148 084
Long-term investments – special funds	0
Other	18 393 154
Unknown	1 337 004 954
<b>Total assets</b>	<b>4 690 498 071</b>

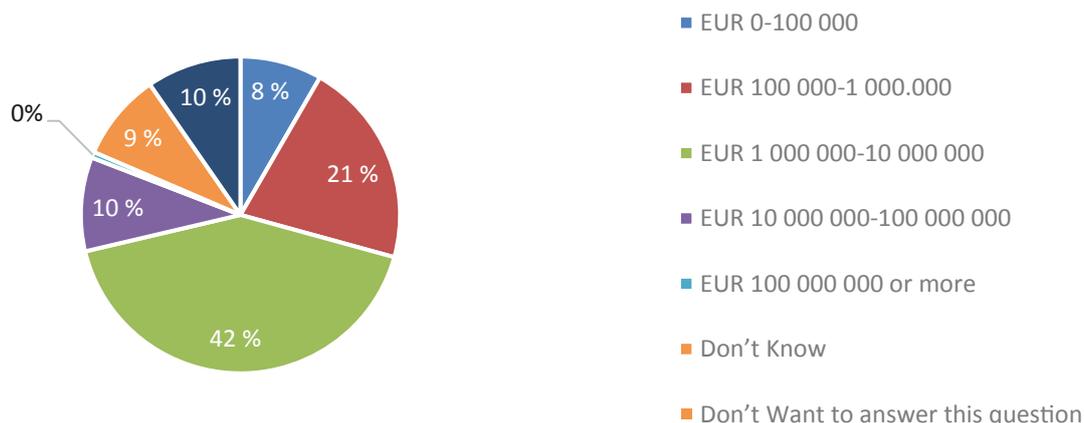
## 3.3 Expenditure

### 3.3.1 Total expenditure

The total expenditure of the majority of Spanish R&I foundations during the last year ranged between EUR 1 and 10 million, totalling over EUR 770 million for the sector as a whole. 42 % of foundations fell within that range in a once more highly skewed distribution (see Figure 13) translating into an average expenditure of slightly over EUR 6 million per foundation/year, with a median value of almost EUR 2.3 million.

**Figure 13: Total expenditures according to category in Euros, 2012**

As a percentage of the total number of foundations (N=157)



Statistics on expenditures	
Number of foundations	128
Mean in Euros	6 044 334
Median in Euros	2 272 611
Total Expenditure in Euros	773 674 748

Expenditure on research by Spanish R&I foundations is almost triple those devoted to innovation. While the foundations in our sample devote over EUR 240 million to research, only EUR 86 million goes on innovation; this latter figure is significantly surpassed by over EUR 109 million of expenditure on ‘other purposes’ (see Figure 14). These data are consistent with the presence in the field of some of the largest (in terms of income volume or assets) foundations in the country, characterised by a general purpose profile, combining research and research-related activities with social, educational or cultural goals. In the context of the qualitative part of this study, they are also consistent with the comments by Diego Moñux (Executive Partner, SILO), who argued that ‘private R&I foundations have effectively contributed to enhancing the prestige of well-established researchers and the social valuation of basic research, but their role supporting technology transfer and developing public-private partnerships for innovation has been below potential so far in Spain.’

**Figure 14: Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of the total (known) expenditure



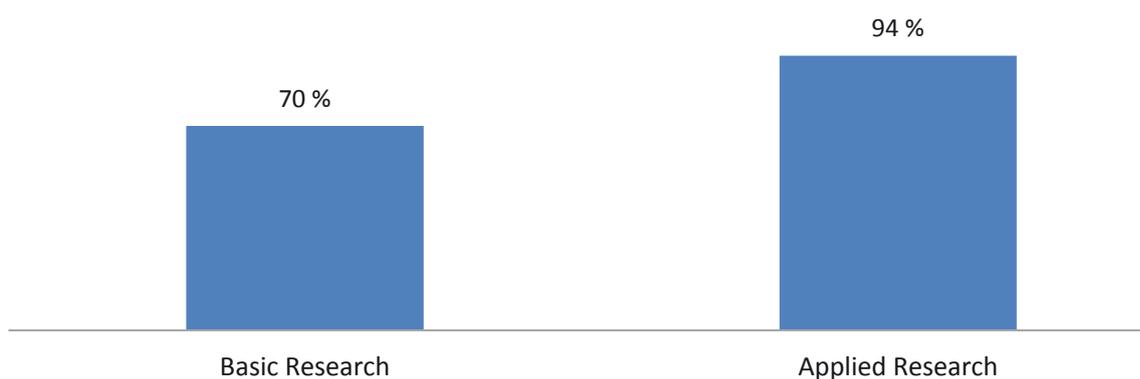
Expenditure	Euros
Research	240 649 116
Innovation	86 342 930
Other purposes	109 440 917
Unknown	337 241 785
<b>Total expenditure</b>	<b>773 674 748</b>

### 3.3.2 Research

Spanish R&I foundations overwhelmingly prefer to fund applied research instead of basic research. In monetary terms (see Figure 15), the financial resources devoted to supporting applied research (over EUR 70 million per year) are almost triple those devoted to basic research (over EUR 26.5 million per year).

**Figure 15: Distribution of expenditure on research; basic versus applied**

As a percentage of the total number of foundations (N=72)



Expenditure on research	Amount in Euros
Basic research (N=54)	26 506 748
Applied research	69 768 356
Unknown	144 374 012
<b>Total expenditure</b>	<b>240 649 116</b>

Spanish R&I foundations overwhelmingly prefer to fund direct research activities, instead of research-related activities. The available data suggest funding for direct research activities are almost double (EUR 82 million) the resources devoted to research-related activities (EUR 45 million) (see Figure 16).

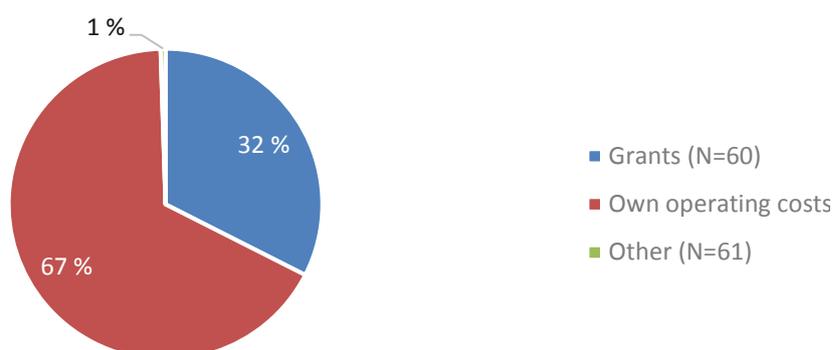
**Figure 16: Distribution of expenditure on research; direct versus research related**

Expenditure	Amount in Euros	Percentage
Direct research (N=55)	81 912 489	34%
Research related (N=55)	45 130 933	19%
Unknown	113 605 694	47%
<b>Total</b>	<b>240 649 116</b>	<b>100%</b>

Additionally, Spanish R&I foundations devote twice as much to funding their own operating costs as to grants (including awards and prizes). 67 % of foundations' total (known) expenditure on research goes into funding their own programs, projects or centres, while only 32 % goes into grants (see Figure 17).

**Figure 17: Distribution of total expenditure on research (both direct and research related)**

As a percentage of the total (known) expenditure

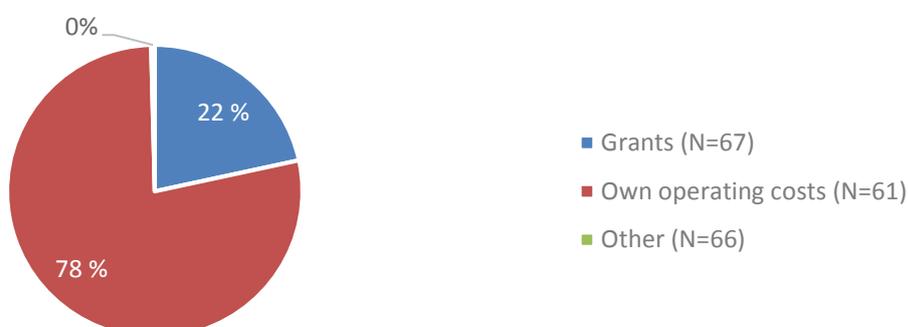


Expenditure on research	Euros
Grants	34 638 460
Own operating costs	71 503 451
Other	518 439
Unknown	20 383 072
<b>Total expenditure on research</b>	<b>127 043 422</b>

### 3.3.3 Innovation

The portion of Spanish R&I foundations' total (known) expenditure on innovation going into funding their own operating costs is triple that going into grants. The ratio is 78 % for innovation expenditure on their own projects, programs or centres versus 22 % on grants for third parties (see Figure 18).

**Figure 18: Distribution of total expenditure on innovation**  
As a percentage of the total (known) expenditure



Expenditure on innovation	Euros
Grants	8 777 269
Own operating costs	31 697 288
Other	161 316
Unknown	45 707 057
<b>Total expenditure on innovation</b>	<b>86 342 930</b>

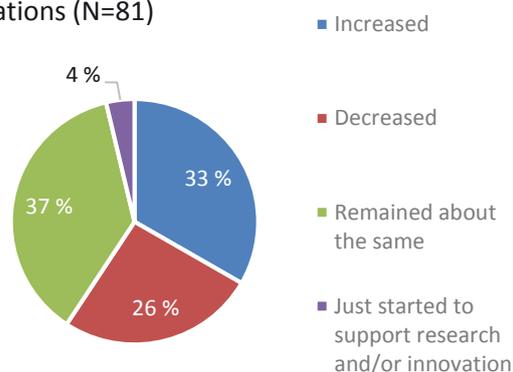
A total of 93 examples of innovative projects were provided by the 42 Spanish R&I foundations funding/operating them. In order of importance, the fields of biomedicine (cellular therapy and cancer research), information and communication technologies or ICT (telemedicine, online and/or virtual platforms), energy and the environment (mainly eco-efficiency and renewable energy) and nanotechnology were the most prevalent. It should be noted that many of these projects have applied new technological developments to segments of populations that are at risk of social exclusion, such as the elderly or people with physical or psychological disabilities or serious dependency or accessibility problems (Alzheimer's disease, autism, spinal cord damage etc.), thus involving a clear aspect of social innovation. Some of the innovative projects were funded by the European 7th Framework Programme, or in the context of other competitive calls for funding at a European, national or regional level that were not specifically designed for research initiatives, but had an innovative focus prioritising transnational projects, ICTs, SMEs and/or public-private partnerships (e.g. the SUDOE program 2007-2013 funded by FEDER; or Plan Avanza 2006-2015 supporting ICT usage by the Spanish Ministry of Industry).

### 3.3.4 Changes in expenditure

To conclude this section, it should be noted that the expectations of Spanish R&I foundations regarding R&I expenditure for the following two years are not bad, if the socio-economic context of the country is taken into account. For 2013 compared to the previous year, 37 % of foundations expected their expenditure to remain about the same, with another 33 % expecting it to increase (see Figure 19). For 2014, 61 % expected their expenditure to remain about the same as in 2013, and only 11 % expected it to decrease (see Figure 20). This suggests that the impact of the crisis had already caused its greatest damage in 2009-2012.

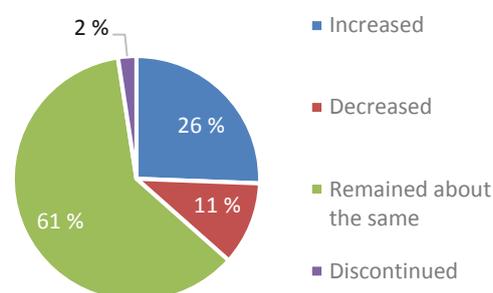
**Figure 19: Changes in expenditure on research and innovation compared to the previous year**

As a percentage of the total number of foundations (N=81)



**Figure 20: Changes in expenditure on research and innovation; expectations for the following year**

As a percentage of the total number of foundations (N=82)



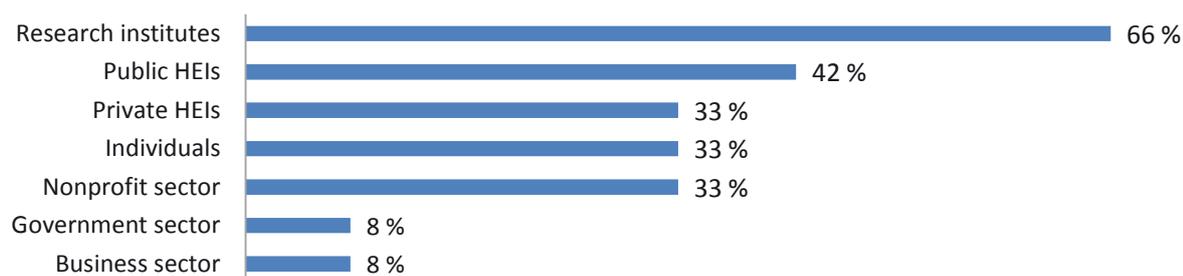
## 3.4 Focus of support

### 3.4.1 Beneficiaries

The most frequent beneficiary profiles for R&I foundations consist of research institutes and higher education institutions (HEIs); individuals being directly served by only 33 % of foundations, mainly through prizes, grants and fellowship for research (see Figure 21). These data are consistent with the emergence of two important subcategories of R&I foundations, which are fundraising tools for the organisations controlling them: university foundations funnelling research contracts and projects and corporate donations into their controlling university, and 'foundations of friends' supporting research institutes, state agencies and non-profit organisations active in the field of R&I. The latter raise funds for their beneficiary from corporate and individual donors and secure partnerships with other players, both public and private. An outstanding example of this type of foundation is the Fundación General CSIC. Its mission is to facilitate knowledge transfer from the Centro Superior de Investigaciones Científicas (CSIC, the Spanish National Research Council), while promoting and funnelling private collaborations with this State agency. The CSIC, a part of the Spanish Ministry of Economy and Competitiveness, is the largest public institution dedicated to research in Spain and the third largest in Europe, with a staff of over 15 000 people. The high prevalence of these beneficiary profiles reflects the adequacy and potential of the foundation as a legal instrument under private law to combine administrative flexibility and favourable tax treatment for the benefit of both its private and public partners.

### Figure 21: Beneficiaries

As a percentage of the total number of foundations, multiple answers possible (N=12)

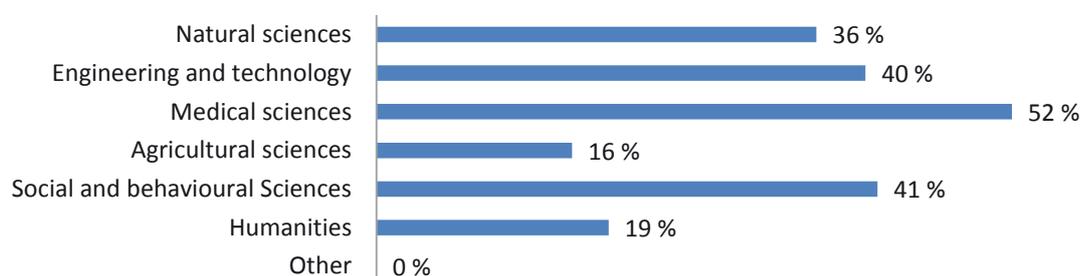


### 3.4.2 Research areas

The areas of research supported (funded/operated) by Spanish R&I foundations in 2012 were, in order of importance: (1) medical science, (2) social and behavioural science and (3) engineering and technology. 52 % of foundations are active in medical science (see Figure 22). Social and behavioural science and engineering and technology are chosen by slightly more than 40 % of foundations; followed by 36 % of foundations being active in natural science.

### Figure 22: Research areas

As a percentage of the total number of foundations, multiple answers possible (N=72)

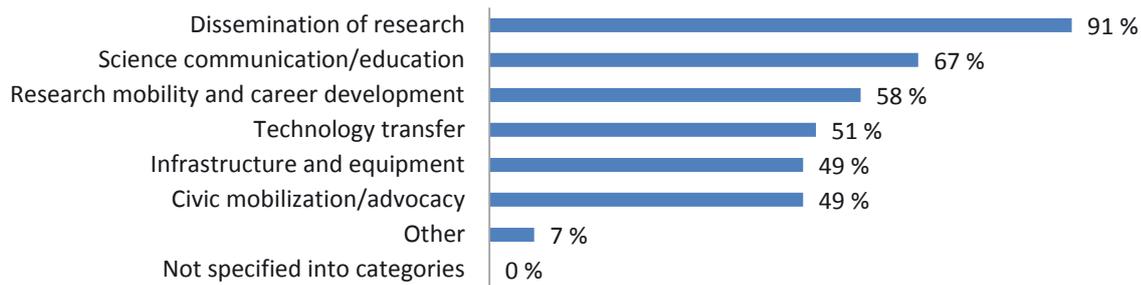


### 3.4.3 Research-related activities

Most Spanish R&I foundations disseminated their research results (i.e. through seminars, conferences and/or publications) in 2012. Additionally, two out of three undertook science communication/education activities (i.e. museums, science parks television programmes) and 58 % promoted research mobility and career development (see Figure 23). Other research-related activities (technology transfer, infrastructure/equipment and civic mobilisation) were undertaken by one out of two R&I foundations. Unfortunately, the number of observations available for this variable ( $n < 10$ ) prevents ascertaining a significant result as to whether foundations have supported different research areas and research-related activities over the past five years, as well as the subsequent changes in expenditure on research and research-related activities.

### Figure 23: Research-related activities

As a percentage of the total number of foundations, multiple answers possible (N=45)



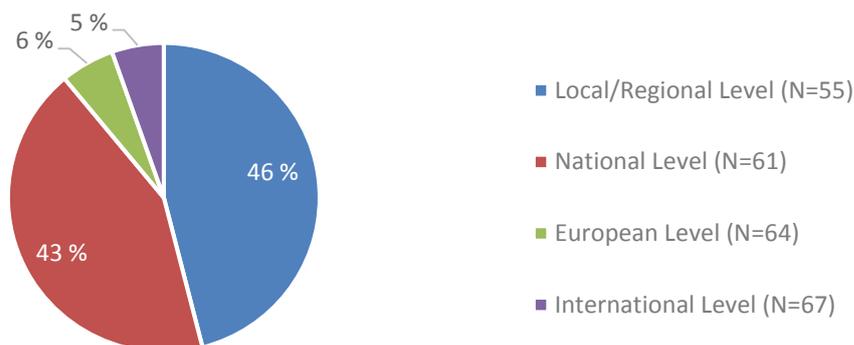
## 3.5 The geographical dimensions of activities

### 3.5.1 Geographical focus

Spanish R&I foundations deploy their efforts in a balanced way between a local/regional and the national level. However, the portion of R&I expenditure on a European (Union) or international level is far less (see Figure 24): 6 % and 5 %, respectively. Although the low number of Spanish R&I foundations undertaking activities at a European (Union) level prevents meaningful conclusions being drawn about the barriers encountered by these organisations when trying to fund R&I projects in other EU countries, some valuable insights can be gained from the qualitative part of the study. According to Enric Banda (Manager of the Area of Science, Research and Environment, Fundació 'la Caixa'), 'no significant political or legal barriers exist within the European Union.' Along those lines and according to Ricard Valls (Executive partner, Zohar Consultoría and Marketing Social), the barriers are instead related to, 'strong pressure over funds coming from local and regional stakeholders, and a lack of global vision and of global networks on the part of many foundations. Public funding has been too easy for many years, making it useless to invest in fundraising.' Teresa Sanjurjo (Director, Fundación Príncipe de Asturias) agreed that the barriers are mainly cultural, and emphasises that creating international networks of partners and beneficiaries takes a long time and a great deal of energy. The example of the Prince of Asturias Foundation is highly significant, as it was founded with a built-in international imprint in 1980, but it was limited to the Iberian-American world, and started going truly global in 2000. Once that goal was achieved in recent years, a network of excellence was launched, where former recipients of the Awards prescribe nominees and further commit themselves to the international initiatives of the Foundation.

**Figure 24: Geographical focus of support**

As a percentage of the total (known) expenditure on research and/or innovation



Expenditure	Euros
Local/regional level	75 415 519
National level	70 472 643
European level	9 243 276
International level	8 896 179
Unknown	162 964 428
<b>Total expenditure on R&amp;I</b>	<b>326 992 046</b>

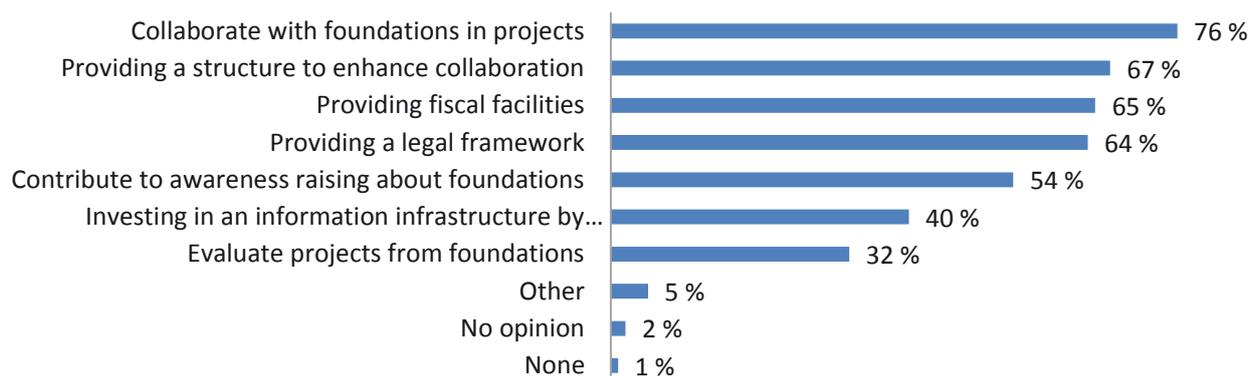
### 3.5.2 The role of the European Union

Three out of four Spanish R&I foundations would like to become partners in projects with the European Union, while two out of three considered its role should consist of providing an adequate legal framework, fiscal incentives and a structure to enhance collaboration. The majority of foundations (54 %) considered the European Union should contribute to awareness raising about foundations, while 40 % expected it to invest in an information infrastructure, and 32 % wanted it to evaluate projects from foundations (see Figure 25). In the context of the qualitative part of this study, José Ignacio Fernández (Director, FECYT) argued that ‘the role of the EC through the Framework Programme has been outstanding, as it has acted as a catalyser for excellent and global science in Europe.’ According to Ricard Valls (Executive partner, Zohar Consultoría and Marketing Social), ‘the EU has fully understood that civil society commitment is a necessary lever in order to implement the change of direction of European economies towards innovation.’

### Figure 25: Role of the European Union

As a percentage of the total number of foundations, multiple answers possible

(N=80)



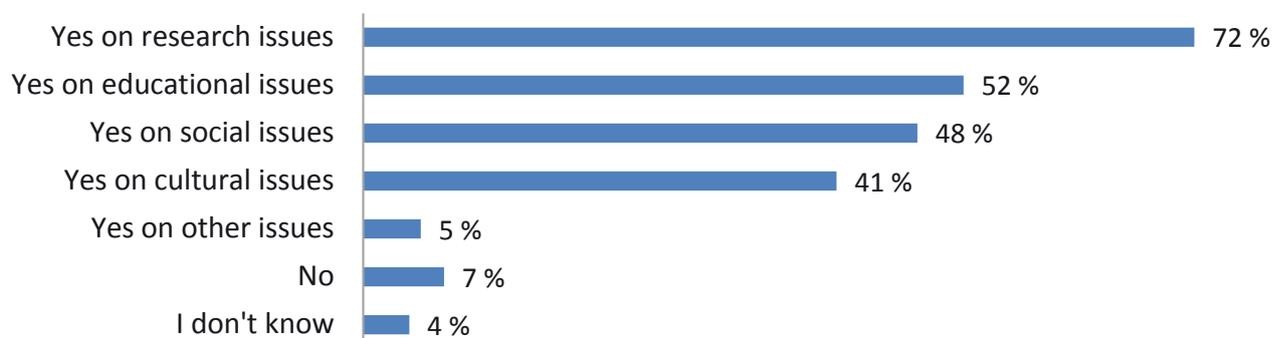
### 3.5.3 Contribution to European integration

Most of the Spanish R&I foundations considered their activities contribute to European integration, in particular regarding integration on research and educational issues. While 89 % considered their activities contribute to European integration, 7 % stated the opposite, and 4 % were not sure. In particular (see Figure 26), 72 % felt they contribute to integration on research issues, 52 % on educational issues, 48 % on cultural issues and 41 % on social issues.

### Figure 26: Contribution to European Integration

As a percentage of the total number of foundations, multiple answers possible

(N=82)



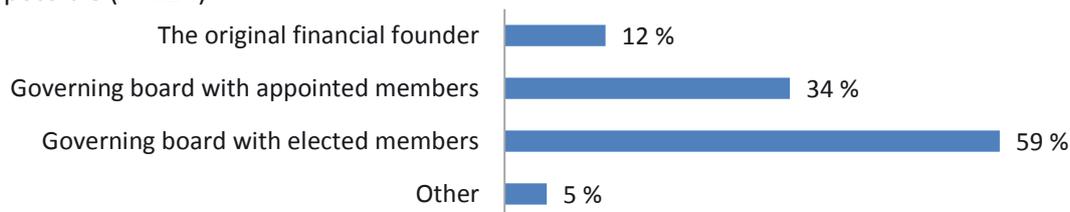
## 3.6 Foundations operations and practices

### 3.6.1 The management of foundations

The planning of the annual strategy of the majority of Spanish R&I foundations lies in the hands of a governing board with elected members. This is the case for 59 % of foundations (see Figure 27). A governing board with appointed members is in charge of defining the annual strategy for 34 % of foundations, and the original financial founder was only indicated by 12 % of them.

### Figure 27: Annual strategy of foundations

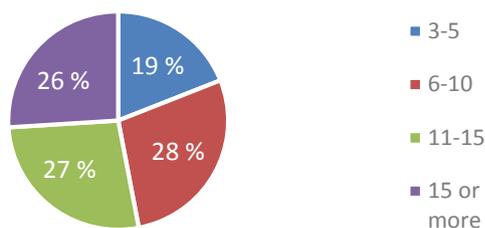
As a percentage of the total number of foundations, multiple answers possible (N=114)



The size of the governing boards of Spanish R&I foundations varies widely. The percentages of foundations that are small in size (between three and five members) and the larger ones are not far apart, the average size being 12 members (see Figure 28). On the other hand, supervisory boards tend to be rare and small. Only one out of every two foundations has a supervisory board, and in 48 % of cases it is composed of five or fewer members (see Figure 29), the average size being seven members.

### Figure 28: Number of governing board members

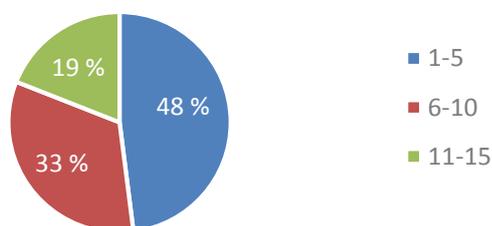
As a percentage of the total number of foundations (N=110)



Number of governing board members	
Number of foundations	110
Mean	12.53
Median	11.5
Total	1.378

### Figure 29: Number of supervisory board members

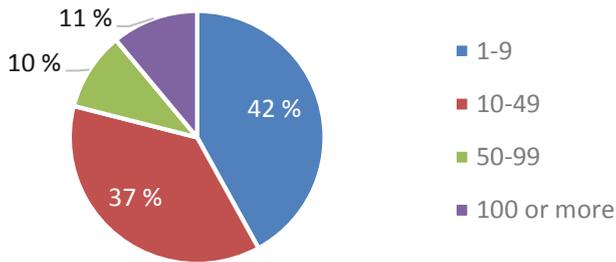
As a percentage of the total number of foundations (N=54)



Number of supervisory board members	
Number of foundations	54
Mean	7.63
Median	6
Total	412

Almost 100 % of Spanish R&I foundations have professional paid staff, although micro- and small foundations predominate. More specifically, if 90 % of foundations have paid staff, 42 % of them do not exceed nine employees and 37 % rank between ten and 49 employees, resulting in 80 % foundations being characterised as micro- or small foundations, according to the classification criteria suggested by the European Union for small and medium enterprises (see Figure 30). 95 foundations in our sample generate almost 6 000 paid jobs, with an average of 63 employees per foundation, and a median value of 16.

**Figure 30: Number of professional paid staff**  
As a percentage of the total number of foundations (N=95)

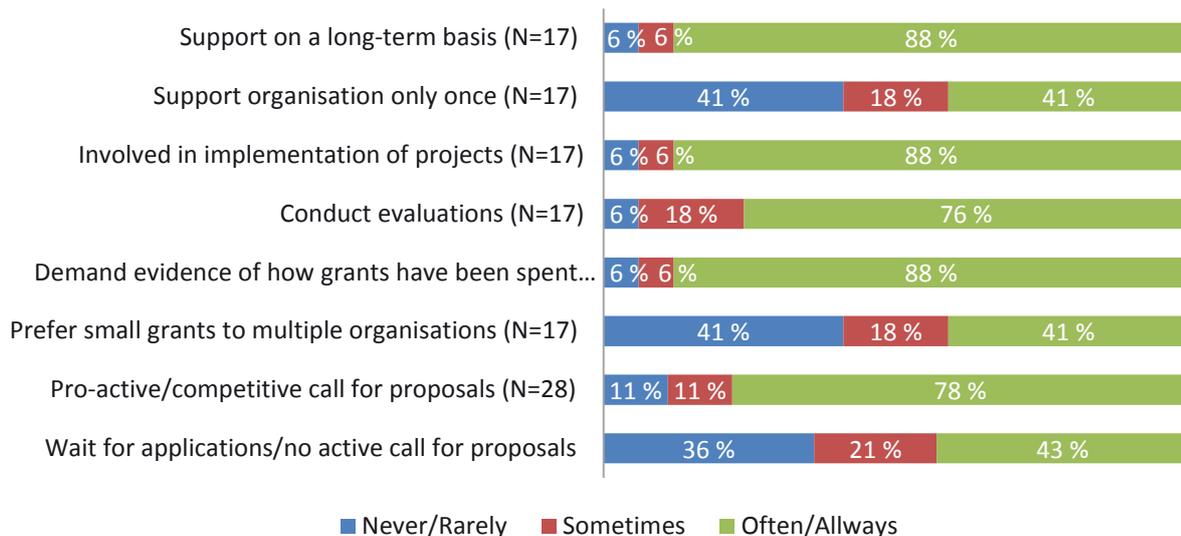


Number of professional paid staff	
Number of foundations	95
Mean	62.6
Median	16
Total	5.946

### 3.6.2 How do grantmaking foundations support research?

A small portion of Spanish foundations consider themselves as grantmaking, and R&I foundations are no exception to this prevailing self-perception. Consequently, the number of available observations on this issue is low ( $n < 30$ ). However, it should be noted that grantmaking foundations overwhelmingly tend to prefer long-term support for projects, to be involved in their implementation, to demand evidence-based evaluations and to proactively search for proposals (see Figure 31).

**Figure 31: Daily Practice of Grantmaking foundations**  
As a percentage of total number of foundations

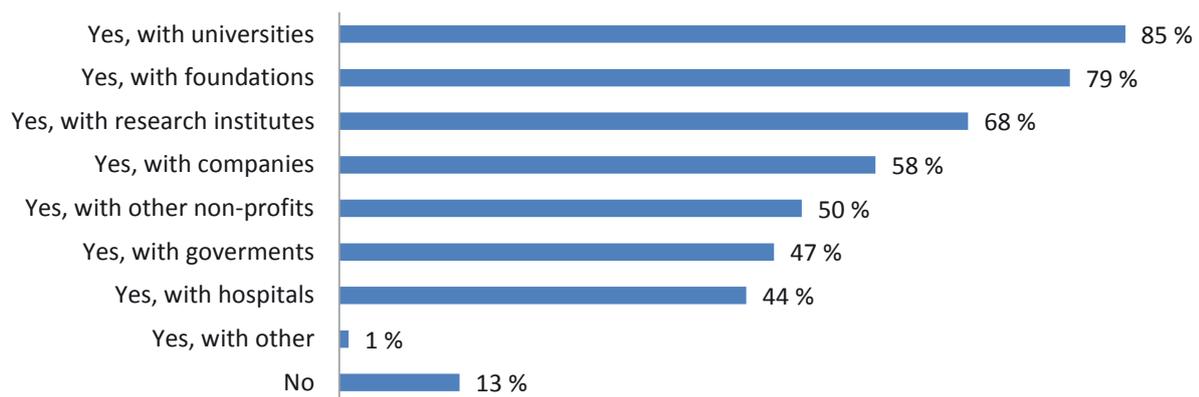


### 3.6.3 Engagement in partnerships

Spanish R&I foundations generally tend to develop joint research activities in partnership with other organisations active in the field of R&I. More specifically, 87 % of foundations are partners in developing joint research activities; partner organisations mainly consisting of, in order of importance (see Figure 32): (1) universities (85 %), (2) foundations (79 %), (3) research institutes (68 %), (4) companies (58 %) and (5) other nonprofits (50 %). Although in the minority, collaboration with (1) governments (47 %) and (2) hospitals (44 %) is also relevant.

### Figure 32: Partnerships

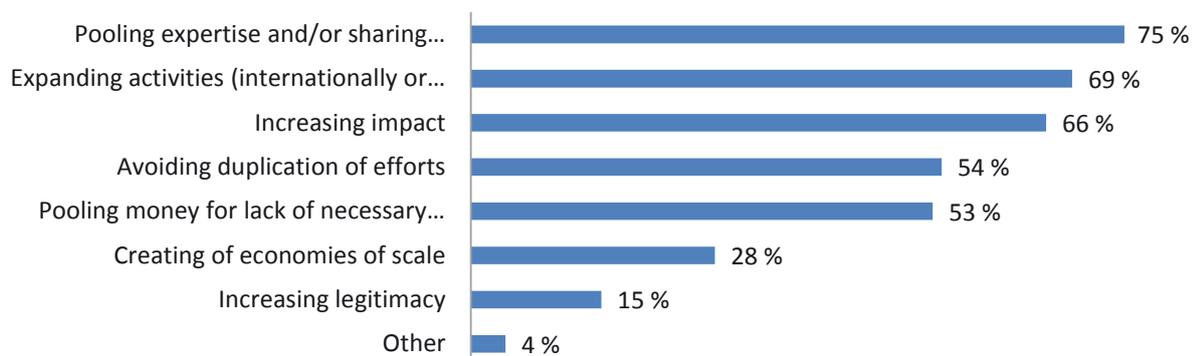
As a percentage of the total number of foundations, multiple answers possible (N=72)



Two out of every three Spanish R&I foundations considered that their main motivations to engage in partnerships with others in the field of R&I are, in order of importance: (1) pooling expertise and/or sharing infrastructure, (2) expanding activities (internationally or otherwise), and (3) increasing impact. A majority of foundations (see Figure 33) also argued that avoiding duplication of efforts (54 %) and pooling money due to a lack of funds are relevant motivations (53 %).

### Figure 33: Motivations for partnerships

As a percentage of foundations, multiple answers possible (N=67)



## 3.7 Roles and motivations

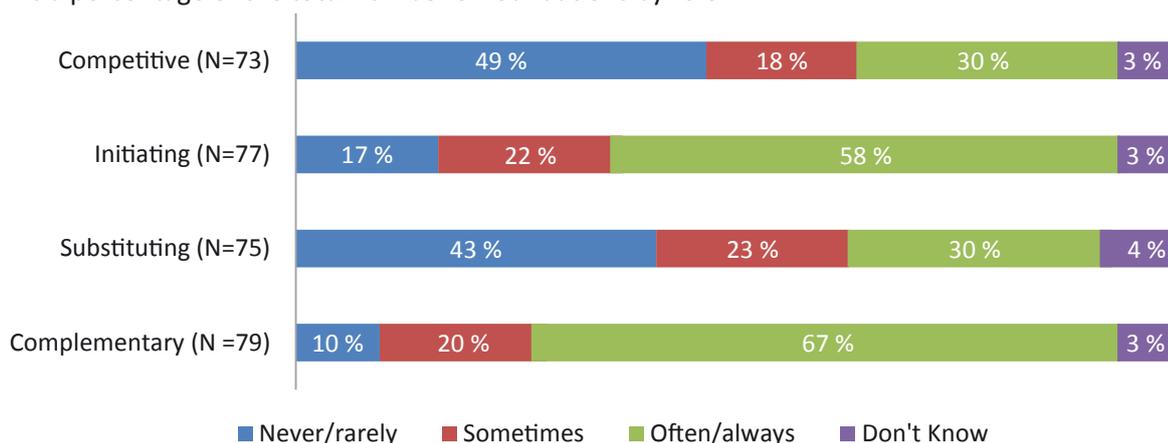
### 3.7.1 Roles

Two out of every three Spanish R&I foundations considered their role to be complementary or additional to public/other support. More specifically, 67 % of foundations perceived this as their role (see Figure 34) and, also, a majority (58 %) perceived themselves as playing an initiating role, aiming to start a project with the expectation that others will take over. Fewer than one out of three (30 %) considered their role to be a substitute for public/other support, or to be competitive, aiming at competition with other organisations. This perception is consistent with the relatively small size (in terms of income), and the low degree of financial independence (due to an insufficient endowment base) of the majority of R&I foundations in the country. As they mostly depend on income from corporate donations, publicly-funded projects or

services for clients, they need to take on a complementary role, and to deploy new initiatives in order to secure the collaboration of all the R&I players. However, a revealing contrast to the extended self-perception of this complementary role is provided by the qualitative part of this study, as far as grantgiving is concerned. Diego Moñux (Executive Partner, SILO) asserted that ‘grantgiving R&I foundations should re-orientate their programs in order to behave in a more complementary way relative to existing State public funding, and focus instead on those needs – particularly technology transfer, private innovation and technology-based entrepreneurship that are not catered for by public programs.’

**Figure 34: Roles of foundations**

As a percentage of the total number of foundations by role



### 3.7.2 Motivations

Regarding motivations for foundations to fund/operate R&I, the interviewed foundations and experts suggested there are no substantial legal or fiscal reasons that provide specific incentives for foundations to choose R&I as their field of activity. In fact, many pointed out as a priority that tax deductions for corporate and individual donors to foundations in general should be substantially improved in Spain, along the lines of the tax treatment that France has implemented to promote corporate donations and corporate foundations, or the tax breaks established in the US for individual donors. According to the estimations by Ricard Valls (Executive partner, Zohar Consultoría and Marketing Social), ‘adopting the French model of deductions for corporate giving would boost corporate donations in Spain by 50 %. However, due to budgetary constraints at a State level, no improvements to philanthropic giving are foreseen in the short term, and if implemented they would be quite moderate.’

According to Miguel Osset (former Executive Director, Fundación Víctor Grifols i Lucas), ‘favourable fiscal treatment should not be the *leitmotiv* of the existence of foundations; instead, its ultimate *raison d’être* is social transformation, and research and innovation perfectly fit within this.’ In line with this argument, the most frequently alleged motivations to fund/operate R&I are related to ‘the potential of R&I to achieve the ultimate purpose of transforming society through the generation and dissemination of knowledge, and to think globally’ (Enric Banda, Manager of the Area of Science, Research and Environment, Fundació ‘la Caixa’), and the capacity of science ‘to provide role models of effort and excellence for society’ (Teresa Sanjurjo, Director, Fundación Príncipe de Asturias). In the case of corporate foundations an additional

argument relates to the eventual synergies with one company's industrial and business model. Miguel Osset further explained that the specific choice for bioethics as the exclusive focus of the Fundación Víctor Grifols i Lucas was made by the founder of the company, who wished to actively participate in the increasingly challenging social debate on the subject.

Furthermore, some experts argue there are actually both fiscal and social disincentives for getting involved in R&I through foundations. José Ignacio Fernández (Director General, FECYT) states that both general and R&I specific tax incentives for foundations and their donors should be substantially improved, as existing tax breaks tend to favour direct corporate R&I expenditure by firms, rather than companies donating to foundations that fund/operate R&I. José Ignacio Fernández, however, explained that 'the main lack of motivation for foundations to fund/operate R&I came from the fact that social incentives for doing so are far more reduced than the social incentives for funding/operating social, cultural or educational programs.'

# 4 Innovative Examples

This section does not have a normative intention – the degree of success of these initiatives is not judged here – but it aims at illustrating innovation in R&I foundations in Spain. Our definition of innovation in this case is very specific: innovative initiatives are those that fully understand and/or realise the potential of R&I as a force to transform society through the generation of new knowledge, the development of new applications of that knowledge and the transfer of new tools and solutions (products or processes) to other economic players. Several categories of specific activities that fit within the proposed definition are described in the following paragraphs.

## 4.1 Successful public-private partnerships involving foundations and venture philanthropy schemes

The most innovative initiative in the field of R&I in general probably consists of the launching of public-private business consortia for long-term, large projects, mainly under the State-wide CENIT Program. In the specific field of foundations, and despite the fact that the proliferation of new R&I foundations can be partly explained because of the adequacy of this legal formula to articulate much-needed public-private partnerships, these partnerships are not only relatively scarce, but also encounter significant barriers. Some experts have mentioned the charity Cancer Research UK as an international reference for future developments in the field. Although not many successful examples of public-private foundation partnerships in Spain came to the minds of the interviewees, and the social impact of such partnerships is yet to be systematically evaluated, it is undeniable that collaboration schemes involving foundations, as in the Triple Helix formed by the State, the private sector, and universities and research centres, are slowly emerging. The following illustrative examples can be mentioned:

- Research centers incorporated as foundations or created by foundations, that have become internationally recognised for excellence in research and/or innovation through a mix of public-private governance and funding. The Institute of Photonic Sciences (ICFO) in Barcelona provides an outstanding example of such an R&I foundation. Launched by the Government of Catalonia and the Technical University of Catalonia – Barcelona Tech in 2002, it has attracted talented scientists from around the world to conduct both basic and applied research in photonics, developing advanced light-based technologies aimed at creating new knowledge, solutions and tools for the industry. Its facilities have been funded by the Spanish and Catalan Governments, the EU and the Cellex Foundation (a private foundation focused on giving large research grants within Catalonia). Research at the ICFO is supported by founding institutions, by competitive projects from national and international funding agencies, by R&I contracts, and by donations from private institutions (e.g. private foundations such as Cellex or those connected to former savings banks in the region), companies, and big and small in-

dividual donors (crowdfunding). Another example, although on a more modest scale, would be that of the IrsiCaixa Institute for AIDS Research (founded in 1995). It was founded by the 'la Caixa' Foundation and the Department of Health of the autonomous Catalan government, with the aim of contributing to improving our understanding of HIV and AIDS, its prevention and treatments with the ultimate goal of eradicating this epidemic. It is located in a public hospital in Badalona. Apart from the stable funding provided by 'la Caixa' Foundation, the IrsiCaixa Institute has succeeded in raising funds from competitive calls at a regional, national and international level, and participates in a consortium that has secured European Commission funding under the 7th Framework Program for Health (e.g. the iHIVARNA Project). A recent example of public-philanthropic partnership is provided by the five-year program against malaria in Mozambique to be developed by Spanish researcher Pedro Alonso, Director of the World Health Organization (WHO) Global Malaria Programme, through the Instituto de Salud Global de Barcelona (ISGlobal). The program (2015-2020) is funded by 'la Caixa' Foundation with EUR 5 million and the Bill and Melinda Gates Foundation with EUR 11 million.

- Endowed foundations supporting the transfer of technology by public universities, research groups and research centres through a mix of grants and equity investing in spin-offs originating from their activities, according to program-related investment and venture philanthropy trends. The Botín Foundation has pioneered this approach in Spain since 2005 with its State-wide Technology Transfer Program, involving over 20 research groups active in the biomedical area. From the side of the investigators, this program combines long-term research grants for selected IPs, with management, marketing and legal support for the valorisation (idea evaluation and protection) and commercialisation stages, as well as foundations' investments in the equity of the eventually resulting spin-off companies. From the side of the industry, the 'Mind the Gap' program aims at bridging existing gaps between academic discoveries and the market by funding R&D projects with commercial potential to the validation phase, and by taking mature technologies to more commercially attractive stages of development. The Barrié Foundation has recently launched a training program on the transfer of technology for Galician public universities and researchers in collaboration with Isis Innovation, a subsidiary of the University of Oxford that manages the transfer of technology and academic consulting for its owner and also for external clients.
- Company-sponsored University Chairs at public universities. These Chairs combine new educational offerings with research and research-related activities, all complementing the mainstream offerings at their universities. In some cases the role of the foundation (generally the corresponding university foundation) consists of facilitating the administrative implementation of the partnership (e.g. Fundación Universidade da Coruña and the Inditex Chair of Social Responsibility at the University of A Coruña, sponsored by the global retailer Inditex in Galicia). In other cases the foundation is the sponsor of the University Chair (e.g. the Ramón Areces Chair on Retail Management at the University of Oviedo, sponsored by the Fundación Ramón Areces, connected to the El Corte Inglés Group).
- Foundations from public universities providing professional counsel to PhDs in order to integrate them into companies interested in technology and/or knowledge transfer in their specific field of specialisation (e.g. Fundación Empresa Universidad de Alicante de la Comunidad

Valenciana) or offering fellowships for university professors in firms in order to support the design and implementation of R&D&I activities in the company (e.g. Fundación Universidad de Valencia).

## 4.2. Foundations focusing on the support of an innovation culture

According to Diego Moñux (Executive Partner, SILO), ‘the most substantial cultural transformation in the field of R&I in Spain has consisted of the concept of innovation becoming socially visible and, within some specific contexts, a relevant concern and even a buzzword.’ In this context, foundations that focus exclusively on innovation and try to mobilise public opinion around it in order to increase its perceived value to society have been created. The focus of the Bankinter Innovation Foundation (founded in 2003) provides a representative example of this transformation. It was founded with the motivation of moving away from the traditional concept of R&I foundations. Its mission consists of promoting and consolidating innovation in the Spanish business world, reinforcing the creation of long-term value for all stakeholders, especially entrepreneurs and those that are transformative agents of the country’s economy. Its main activity is the Future Trends Forum (FTF), a multidisciplinary, multi-sectorial and international think-tank focusing on innovation. It is composed of around 300 international experts and leaders of opinion. Its main objective is to anticipate the immediate future, to detect social, economic, scientific and technological trends and to analyse their possible scenarios and impacts on current business models. In 2011 and 2012 it was recognised in the world annual rankings of ‘The Think Tanks and Civil Society Program,’ of the University of Pennsylvania. In 2012 the foundation ranked twenty-fifth in the top 50 science and technology think tanks in the world; it was the only Spanish think tank out of only 13 European organisations, and the only one dedicated entirely to trends in innovation.

## 4.3 Projects engaging the public’s interest in research and promoting its social valuation

Some Spanish R&I foundations have taken the lead in transforming the traditional tools of support such as prizes or science museums into innovative media to engage the public’s interest in research, thus increasing the value of R&I in the eyes of larger segments of society.

The Fundación Príncipe de Asturias does high-profile work in mobilising local communities and the national media in science and research. This is achieved not only on the occasion of the awards ceremony – which is subject to strict protocol and capacity restrictions – but also by building long-term relationships with Laureates and by bringing their contributions closer to society. In 2013 the Prince of Asturias Award for Technical and Scientific Research was awarded to Peter Higgs, François Englert and CERN, and the Prince of Asturias Award for International Cooperation was awarded to the Max Planck Society for the Advancement of Science. During ‘Prizes Week,’ a forum on ‘Opportunities in the Max Planck Society for Spanish Researchers’ was organised, and Peter Higgs, François Englert and CERN participated in a ‘scientific meeting’ at the University of Oviedo. After receiving their award, CERN organised, in collaboration with the foundation, a contest to promote science and technology among Spanish youth. In general,

the Laureates participate in a broad set of activities with diverse communities in Asturias. The Fundación Príncipe de Asturias has also organised exchanges and networking opportunities abroad, e.g. between Spanish scientific institutions and researchers and the British Royal Society.

The Fundació 'la Caixa' has been the private leader in the field of science museums in Spain. The CosmoCaixa Science Museum of Barcelona, funded and operated by the 'la Caixa' Foundation, offers interactive, enjoyable science. In addition to its permanent facilities and open areas, CosmoCaixa offers a scientific and educational program that includes exhibitions, workshops, conferences, courses and debates involving experts from all over the world. Furthermore, 'la Caixa' Foundation coordinates a consortium that has developed a research project, funded under FP7 (2007-2013), on 'Responsible Research and Innovation (RRI) Tools.' The project plans to develop an innovative and creative set of tools aimed at raising awareness, training, disseminating and implementing RRI, i.e. a process where relevant stakeholders (researchers, citizens, policy-makers, business, educators etc.) work together throughout the whole research and innovation (R&I) process in order to align its outcomes to the values, needs and expectations of European society.

## **4.4 Foundations working on the interface between R&I and entrepreneurship**

The meeting point between R&I and entrepreneurship has attracted a significant portion of innovative projects, some of them at a pilot stage, such as those by the Celera and INLEA foundations. The mission of the Celera Foundation consists of identifying talented people and developing their talent to its full potential. It was founded by Javier García, a university professor with a PhD in Chemistry, founder of Rive Technology, Young Global Leader (World Economic Forum), TR35 Innovator of the Year (MIT), and Silver Medal European Young Chemist (EuCheMS). Its @celera Program aims at accompanying, developing and training talented Spaniards in the field of science, innovation, technology and entrepreneurship. The program hosts a maximum of ten participants, includes a broad set of networking and training opportunities, and lasts for three years. Another representative example is provided by the INLEA Foundation, which focuses on promoting entrepreneurship among research and technology experts, particularly in the field of ICT. The foundation channels the CSR of its parent company, INLEA, specialising in providing technological solutions in the field of education. In 2008 it launched linktoStart, a nine-month comprehensive training and mentoring program that supports the development of new ideas and provides business training for entrepreneurs in Spain's ICT sector in order to transform their technology-based projects into a business model worthy of the attention of investors. The foundation also organises a training program for future business angels.

## **4.5 Introduction to the market of socially innovative products, methodologies, services and/or technologies**

The sub-category of the application of research and technology to improve the quality of life of people with disabilities or dependencies has been the object of many innovative projects led by foundations that combine a strong social orientation with an interest for adapted technologies. Fundación ONCE (founded

in 1988), a long-term member of both the European Foundation Centre and the Spanish Association of Foundations, and a leader of the institutionalisation process of the third sector in the country, has a track record of achievements in developing new adapted technologies and influencing public policy in order to improve accessibility for the visually impaired and other segments of population with disabilities. In the specific field of adapted tourism, the Fundación Lantegi Batuak, with a long track record of integrating disabled people through employment in firms with a strong technological component, has launched the BBK Bilbao Good Hostel, the first hostel managed by disabled people in the Basque Country. It is also adapted to host disabled people, and 52 % of its guests are international.

# 5 Conclusions

The following conclusions consist of two parts. First, an interpretation of the highly representative results of the EUFORI study in Spain. On the quantitative side, 45.4 % of the census of 458 R&I foundations agreed to participate in the study. It should be noted that this census exclusively includes foundations that not only funded/operated research and/or innovation according to the EUFORI definitions between 2005-2012, but most of them prioritised R&I as their top areas of activity. On the qualitative side, six interviewees representative of both relevant foundations and stakeholder groups shared their expertise on the sector. The generous and insightful collaboration by all of them – both the foundations answering the questionnaire and interviewees – is deeply appreciated by the authors. Secondly, these conclusions are also based on the extensive research and practical background of the authors in the Spanish foundation sector, as they were the researchers in charge of the first census and the socioeconomic characterisation of Spanish foundations (the Institute of Strategic Analysis of Foundations or the INAEF project, 2010-2011).

## 5.1 Main conclusions

R&I foundations show some relevant differences regarding the basic features of the Spanish foundation sector as a whole, as characterised in Rey and Álvarez (2011a and 2011b). Although research and innovation are priority areas for a select group of well-established, influential, generalist, corporate or family foundations in existence over 30-50 years, most Spanish R&I foundations belong to the 21st century and tend to have a specialised profile. Apart from being the youngest in a late-arriving foundation sector, R&I foundations are relatively more active, bigger in terms of average income, and their activities are geared to a greater extent to a national level, to the detriment of the regional and local levels. With the aforementioned exception, another difference relates to the outstanding role played by the public sector, particularly at a State level and also in certain regions. National Ministries, regional governments (Madrid, Catalonia, Navarra and the Basque Country contribute with the largest R&D expenditure as a percentage of regional GDP), and public agencies, universities and hospitals have been actively involved in the creation, governance, promotion and support of R&I foundations during the last two decades.

The early 2000s saw a true turning point for R&I foundations, as the incentives and public funding opportunities derived from the First National Plan of Research, Development and Technological Innovation were combined with public funding for research at a regional and European level. Improved tax breaks for donors to research foundations and their activities built on the broader trend of increased business expenditure in R&D. All these variables, in combination with improved social and media perceptions of the potential contribution of research activities to societal welfare, resulted in a boom of this type of foundation both in terms of the number of new players and the resources attracted and applied.

However, it should be noted that the reference period of the EUFORI study (2005-2012) includes two radically different stages of foundation development: the first five years fully captured the effects of this boom, while from 2010 onwards the consequences of the economic recession become evident, particularly on the side of public funding. A significant portion of R&I foundations experienced staff cutbacks and financial hardship during this period, and some merged or even terminated their activities. The stress was greater for those with undiversified income structures and/or a low capacity to generate earned income, particularly if they were dependant on non-competitive sources of public funding and/or certain corporate donors – e.g. savings banks. Technology centres, parks and institutes incorporated as foundations and promoted by regional and local governments and universities provide a case in point of the different effects of the crisis on R&I foundations. While some lacked the capacity to innovate or a strategy to compete for sustainable business partnerships and service contracts, or faced closures and mergers during the period, others have grown and become leading organisations in a European context.

Regarding size in terms of both income and assets, R&I foundations include a greater percentage of large organisations relative to the sector in general. On one hand, a certain critical mass of resources and the capacity to commit them in the long term are obviously required to operate ‘research’ and ‘innovation’ according to the EUFORI definitions. On the other hand, the specific structure of this sector in Spain has resulted in a diverse group of major players in this area of activity. While the diversity of these financial founders reinforces the idea that traditional foundations have expanded or added research to their preferred areas of activity, it further suggests that the new profiles of founders have been entering the foundation sector with research as their top or only purpose. Traditional and new players – typically businesses, public agencies, other nonprofits and organisations and centres active in the fields of higher education and health – have funnelled or helped to attract an unprecedented volume of resources into research during the last two decades.

R&I has become one of the top priorities for some of the largest family endowed (e.g. Botin, Areces, Barrie), and corporate (e.g. Mapfre and la Caixa) generalist foundations in the country. Also, some specialised R&I foundations rank among the biggest non-family, non-corporate foundations in Spain in terms of revenue. This is the case of the Tecnalia Foundation, based in the Basque country, and which is the largest private R&D&I entity in Spain and the fifth largest in Europe. This applied research private foundation, resulting from the merger of eight technological centers, has a substantial impact at a local industry level. In 2012 it reported staff of 1 473 people and an income of EUR 110 Million. Tecnalia develops products, delivers services and participates in high tech startups in a diversity of areas, from energy to health. According to the European Research Rankings, it ranks 20th out of over 5 000 organisations in Europe for its participation in the VII Framework Programme projects (participating in 353 projects and leading 76 between 2007 and May 2013).

As for the business model of R&I foundations – understood as being how they create and capture social and economic value – an overwhelming majority (83 %) perceive themselves as operating only; whereas only 17 % self-report as being grantmaking (solely, or in combination with the management of their own programs). The operating profile is more prevalent than for the sector in general, with 74.6 % of Spanish foundations considering themselves as operating. However, this apparent ‘operating’ homogeneity

conceals an extremely rich diversity of foundation models and, ultimately, also the heterogeneity of the visions of the roles that foundations might play in society. This diversity is undoubtedly a source of dynamism for the sector, but should be carefully taken into account when making international comparisons. The typology we propose in order to better understand the models and roles of the main groups of R&I foundations coexisting in Spain distinguishes between: 1) R&I foundations created by entrepreneurs and wealthy families; 2) corporate R&I foundations; 3) R&I foundations promoted by other nonprofits; 4) R&I foundations instrumental for one public entity; and 5) technological centres and parks and R&I institutes or groups incorporated as foundations.

**The first** distinct type of R&I foundation constitutes a minority created by entrepreneurs and wealthy families. Apart from the aforementioned traditional endowed foundations, new players such as the Rafael del Pino (1999), Esther Koplowitz (1995), Alicia Koplowitz (2003) and Cellex (2003) foundations have recently emerged. Cellex has the lowest institutional profile of the four foundations, but is the only one exclusively devoted to research. Created by Pere Mir, an entrepreneur and former university professor with a PhD in Chemistry, its focus is on supporting top performing research centres in Catalonia. In 2010 the Esther Koplowitz and Cellex foundations gave the largest private donations to science ever recorded in Spain, mostly to one centre devoted to translational biomedical research. The Koplowitz Foundation donated EUR 15 million to the biomedical research institute at the Hospital Clinic and the University of Barcelona (IDIBAPS); and shortly afterwards the Cellex Foundation donated EUR 10 million to the same centre, and also EUR 16 million to the Institute of Photonic Sciences (ICFO) in Barcelona.

**The second** type is composed of corporate foundations, both of a generalist and a specialised character. Mapfre (insurance), la Caixa and BBVA (banks) foundations stand out in the first sub-category, as they have a broad purpose but donate significant amounts to R&I, deployed through the sustained funding of their own research institutes and science museums, the operation of selected research programs, and grants and prize awards. In the latter category the BBVA Foundation's generously-endowed 'Frontiers of Knowledge Awards' should be mentioned. The BBVA Foundation selects the recipients of these research awards in collaboration with the Spanish National Research Council (CSIC), in the categories of Basic Science (Physics, Chemistry, Mathematics), Biomedicine, Ecology and Conservation Biology, Information and Communication Technologies, Economics, Finance and management, and Climate Change.

Unsurprisingly, most specialised corporate foundations are controlled by pharmaceutical, health and chemical companies, as is the case of the Víctor Grifols I Lucas Foundation. According to its former Executive director, Miguel Osset, 'the Foundation can be a useful tool because it is not under the pressure of the bottom line of the company, and this guarantees a certain autonomy for a more open and long-term vision. The combination of autonomy and integration with the company provides foundations with an authoritative voice.'

It should be noted that most of these family and corporate R&I foundations have one important grantmaking activity (in fact in the United States they would probably be labeled as grantmakers), but prefer to present themselves as operating in the eyes of public opinion for several reasons. First, they try to prevent or minimise the external pressure from organisations and individuals searching for research funding, and to

avoid unsolicited grant proposals. Second, they expect to maximise the image returns on their donations by publicising the programs they support as their own. Third, their managers frequently adopt a hands-on approach and get involved in the implementation and follow-up of the projects they support.

**The third** type of R&I foundation includes those promoted by other nonprofits, mainly mono-cause associations (i.e. those focusing on the prevention and treatment of one illness or health problem in particular), and by scientific societies. The scientific foundation of the Spanish Association against Cancer (Fundación Científica Asociación Española contra el Cáncer AECC) is the oldest and most established within the first subtype; while the Fundación Española del Corazón, promoted by the Spanish Society of Cardiology (originating in 1967), is probably the oldest example of the second. Regarding expenditure, these foundations mostly focus on funding research projects and fellowships for their preferred cause, on raising social awareness about its relevance, and on disseminating applied research. On the income side, they frequently reinforce the fundraising capabilities of their founding nonprofit, as they combine the possibility of receiving tax-favoured donations, with the capacity of integrating donors ('friends' or supporters of the cause) and other relevant stakeholders under their governance, without granting them membership rights.

**The fourth** and relatively large group of R&I foundations is made up of those that are instrumental for one public entity, such as a university, hospital, research centre or development agency, either national, regional or local. In this case the perceived advantage of the foundation formula consists of the administrative flexibility deriving from its private nature. The controlling public entity uses the public initiative, private foundation to raise funds from institutional and individual donors who are interested in earmarking their contributions for one particular centre, project or researcher. In this way it is perceived as a friendly interface between business and civil society. The Fundación Pro CNIC provides an outstanding example, as the tool of the public National Centre for Cardiovascular Research (Centro Nacional de Investigaciones Cardiovasculares, CNIC), headed by the world famous cardiologist Valentín Fuster, it raises private funds. Its board comprises only chairmen from leading Spanish companies. Additionally, the controlling public entity frequently uses the foundation, on an overhead basis, to flexibly manage research projects and technical assistance contracts, as it can source from suppliers without complying with the strict rules of public contracting, and hire personnel without further overloading public administrations. Most of these instrumental foundations have a reduced permanent staff mainly dealing with management and administration as they contract with the IPs (researchers or university professors) and take responsibility for the short-term hiring of the research personnel and interns that may be required on a project-by-project basis.

**The fifth** type is composed of technological centres, technological parks, and R&D institutes, centres or groups incorporated as foundations and therefore operating with their own legal status. The staff tends to be larger than in the previous category and is mainly made up of researchers and technicians. Their boards frequently comprise a mix of representatives from public administrations, public universities, businesses and industrial associations.

Some of these foundations integrate a broad expertise and an industry-wide scope, as is the case of the aforementioned Tecnalia Foundation, or of the Parc Científic de Barcelona (PCB), the oldest scientific park in Spain (created in 1997), hosting over 2 000 researchers and staff members, and managed by a public-private board. Others have a more specialised profile. The Galician region hosts several outstanding examples of specialised, fast-growth foundations in this category, well connected to European networks and funding. Some focus on the area of technological expertise of the founding research groups or university departments, such as the Galician Research and Development Centre in Advanced Telecommunications (Gradiant) Foundation. This foundation originated from the Signal Processing on Communication Group at the University of Vigo in 2007, and is devoted to generation and transfer of knowledge in information technology and communications (ICT) to private companies. Its board is made up of representatives from the public sector (the Ministry of the Economy and Industry and the Innovation Agency of the Regional Government of Galicia), the three public universities in Galicia and seven telecom companies. With a budget of EUR 5 million in 2014, it is participating in seven European projects. Other foundations focus on one industrial or economic sector, such as the Centro Tecnológico del Mar-Fundación CETMAR (2001), promoted by the Regional Government of Galicia and the Science and Innovation Ministry to support R&D&I in the maritime and fishery sector. A third type of specialised foundation serves the R&I priorities of a group, as is the case with the Galician Automotive Technology Centre (Centro Tecnológico de Automoción de Galicia, CTAG). This foundation aims at making automotive companies more competitive through the implementation of new technologies and the encouragement of research, development and innovation. The CTAG Foundation is integrated with the Cluster of Automotive Firms of Galicia (CEAGA), formed by the PSA Peugeot Citroën factory in Vigo in 1997. The Cluster itself was incorporated as the CEAGA Foundation in 2006 and currently involves over 100 automotive suppliers. These models –both generalist and specialised in research groups, industry clusters or sectors- have been extended to most Spanish autonomous communities, and have reached a considerable level of development in the Basque Country, Catalonia, Madrid, Navarra, Andalusia and Comunidad Valenciana.

## 5.2 Strengths and weakness of the R&I foundation sector in Spain

The R&I foundation sector in Spain emerged and grew rapidly between the late 1990s and 2008 in the context of a favourable policy framework at a State and regional level under the stimulus of European policies in the field of R&D, of increasing public and private funding opportunities, of the growing internationalisation of R&I players and of a highly institutionalised foundation sector. While the role of the government – State and regional – and of higher education institutions and public research centres (e.g. CSIC) has been pivotal during this boom, there has been also a growing involvement of businesses in the R&I field, providing further resources and outsourcing opportunities. Despite public and private budget cuts due to the economic crisis, previous qualitative and cultural improvements (such as a propensity for public-private partnerships, a quest for excellence and internationalisation, etc.), have survived and become permanent features of a significant portion of the R&I sector in Spain.

In this increasingly competitive environment, there will be opportunities for those R&I foundations that have the organisational capabilities needed to achieve competitive funding at a European level and to increasingly partner with business in knowledge and technology transfer schemes. Another untapped opportunity lies in the market of individual donors. Big individual donations, crowdfunding and bequests for science have only started to be explored by R&I foundations during the last five years, with some few exceptions such as the Fundación para la Investigación Médica Aplicada at the University of Navarra and other health-related foundations. This market holds particular promise given that only a small portion of R&I foundations actually devote their budgets to grantgiving.

From an internal perspective, the most significant weakness consists of the low level of financial independence of a significant portion of R&I foundations, as most rely on a mix of service income, government subsidies and/or business donations, but, except for the large family endowed foundations, lack significant endowments. On the expenditure side, the overwhelming preference for applied research over basic research and innovation, and the small portion of resources available for grants after covering operating costs, may be linked to the self-reported operating nature and complementary role of the sector in the context of the State's focus on basic research. However, it may also suggest a short-term, low-value added approach to the field of R&I, and the existence of further room for improvements in efficiency. Other important weaknesses lie in the low level of international exposure and in a lack of strategic focus, leading to a moderate capacity for innovation.

On the plus side, Spanish R&I foundations are extremely dynamic in their role of identifying and addressing new needs and areas of activity; they utilise a broad range of approaches to R&I issues, and there is an increasing trend of partnerships as most see themselves in complementary or initiating roles. The partnership between 'la Caixa' and the Bill and Melinda Gates foundations against malaria is a case in point. From 2009 onwards the effects of the economic crisis and public funding cuts at a State and regional level have been visible but also ambivalent. While some large corporate foundations have strengthened their budgetary commitment to research, the foundations connected to savings banks have undergone radical restructuring. While a minority of public initiative foundations burst in a bubble-like manner, other R&I foundations with mixed public-private governance have overcome their financial hardships by streamlining their organisational structures and programs, better defining their business models, and becoming further internationalised.

For the sake of simplicity we will use a SWOT Analysis for a synthesis of the internal strengths and weaknesses detected in Spanish R&I foundations through the EUFORI survey and interviews, and the main external opportunities and threats they face according to our historical and policy analysis. The SWOT analysis is summarised below in Figure 35.

Figure 35: SWOT Matrix of Spanish R&I foundations

Strengths	Opportunities
<ul style="list-style-type: none"> <li>• Applied and direct research focus</li> <li>• Investment in infrastructure, particularly technological parks and centres, and scientific museums</li> <li>• The process of innovation within foundations due to increased professionalisation</li> <li>• Streamlined organisations due to restructuring during the financial crisis</li> <li>• Rich diversity of approaches, methodologies and roles</li> <li>• Strong connection to the industry in some cases and certain regions</li> <li>• Emerging internationalisation of foundations</li> <li>• Predisposition to partnerships, both intra- and cross-sector</li> </ul>	<p><i>Economic</i></p> <ul style="list-style-type: none"> <li>• Increasing share of EU funding for research by Spanish beneficiaries</li> <li>• Increasing excellence and internationalisation of research centres and researchers</li> </ul> <p><i>Social</i></p> <ul style="list-style-type: none"> <li>• Increasing value attached by citizens and the media to research, partly because of R&amp;I foundations' activities</li> <li>• Untapped market of individual donors, particularly bequests and crowdfunding</li> </ul> <p><i>Political &amp; legal</i></p> <ul style="list-style-type: none"> <li>• Emerging collective action by R&amp;D foundations</li> <li>• Institutionalisation of the foundation sector in general</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>• Small volume of resources devoted to grants</li> <li>• Relatively weak research-related activity expertise, particularly in knowledge transfer, dissemination of research and science communication</li> <li>• Predominance of traditional, low-risk and low-complementarity approaches and grantgiving tools among funders</li> <li>• Low development of (innovation) focus among operating foundations</li> <li>• Unsustainable or under-utilised infrastructure</li> <li>• Limited access to funding sources other than the traditional ones, particularly public subsidies</li> <li>• Weak connections of researchers with entrepreneurs and businesses and venture capital</li> <li>• Low degree of internationalisation of foundations</li> </ul>	<p><i>Economic</i></p> <ul style="list-style-type: none"> <li>• Weak economic recovery</li> <li>• Ongoing budget cuts in businesses and public agencies</li> <li>• Spain is a 'moderate innovator'</li> </ul> <p><i>Social</i></p> <ul style="list-style-type: none"> <li>• Lack of knowledge about the role of R&amp;I foundations in social and economic development</li> <li>• Recent scandals involving foundations</li> <li>• Priority given to the fulfillment of social emergencies resulting from crisis</li> </ul> <p><i>Political &amp; legal</i></p> <ul style="list-style-type: none"> <li>• Unlikely substantial improvements in tax deductions for donors in the short term</li> <li>• New, more restrictive foundation legislation being drafted for foundations, particularly under State supervision</li> </ul>

## 5.3 Recommendations

At a European level, the recommendation would be for policy-makers to further advance in their understanding of what foundations in general do in Europe, of their relevance for the wellbeing and civic participation of Europeans, and of their potential to detect social challenges and to take preliminary steps towards solving them in a collaborative and flexible manner in the field of R&I. In this way, not only a truly European framework would be developed to facilitate and internationalise philanthropic activities (whose first step is the European Foundation Statute), but also the EC would further partner with foundations in R&I projects, thus attracting private resources to the field. At the same time, the European Union would further contribute to furthering citizens' appreciation of and committing resources to science, therefore including civil society in the target of achieving an innovation-based European economy.

At a national R&I policy level, the recommendation would be to further advances in the cultural and structural changes required to extend and intensify partnerships between higher education institutions and public research centres and companies or entrepreneurs so that an effective transfer of knowledge and technology from academia and researchers to businesses and society takes place. Also, incentives for further collaboration in the specific field of innovation should be implemented, and the best practices for the efficient transfer of technology should be replicated. Entrepreneurial ventures by public research groups and units should definitely be facilitated from an administrative perspective.

Both European and national policy-makers have a phenomenal instrument for providing the right incentives in the R&I system in order to attain the aforementioned goals, which are competitive calls for public R&D&I funding (e.g. those under Horizon 2020, or by the Centre for Industrial Technological Development (CDTI) of the Spanish Ministry of the Economy and Competitiveness). In this regard, the most immediate way to commit more of foundations' efforts and resources to R&I would be to quantitatively prioritise their participation in all groups applying for competitive funding, so that the benefits of partnering with higher education institutions, R&D centres or companies are combined with the potential complementary role of foundations. This could be reinforced with the inclusion of social impact indicators among the grant selection criteria, so that the public benefit roles of the participating foundations and the social outcomes of the project are enhanced.

In the field of overall foundation policy, Spanish policy-makers should consider applying the increased demand for more accountability and transparency to foundations, with more generous fiscal incentives for donations to science, so that the participation of individual donors in R&I funding is boosted. Although public opinion's fondness for science and research has undoubtedly increased during the last decade, this still has to translate into more private philanthropic support for R&I, which is still mostly perceived as being in the public domain. Wealthy donors, crowdfunding and bequests are yet to be explored to their full potential.

As for Spanish R&I foundations in general, and despite the clear advancement of internationalisation as an important concern, only a very minor portion (11 %) actually fund or operate activities at an international or European level. Our main recommendation would be for them to adopt a global vision, even if they do not fund/operate activities abroad. While there already exist a group of Spanish researchers who are global leaders in their specialties and a critical mass of research centres in Spain that are leaders in their fields at a European level, some Spanish R&I foundations are clearly ready to play a similar leadership role as R&I funders or operators. Regarding operating R&I foundations, the most important recommendations would be for them to increase their strategic focus according to an analysis of their own strengths and capabilities, and to become more market-oriented so that the knowledge they create translates into improved or new products, processes etc. that have commercial value. It is imperative that they develop a sustainable business model that combines earned income and competitive public funding under Horizon 2020 and other international opportunities, with a policy to build their own endowment in the long term.

Regarding foundations that mainly fund R&I, our recommendation would be to utilise instruments and approaches that are truly complementary to those of State and European funding. There is clearly a gap at the meeting point between technology transfer and entrepreneurship. Excellent researchers and new technologies with a high commercial potential need high-risk philanthropic investments, management savvy and mentoring before becoming attractive to for-profit private investors and public institutions. Furthermore, R&I foundations can use their connections to wealthy or entrepreneurial families, venture capital firms or corporations in order to increase and multiply their own contributions in this field.

The EUFORI quantitative results reveal further opportunities for the improvement of R&I foundations' governance and management. First, R&I is not the main activity for 19 % of R&I foundations. As one of

the weaknesses of the Spanish foundation sector is atomisation and the advantages of specialisation in the R&I field are clear, it would seem more reasonable to provide incentives for a greater or more solid commitment by the established R&I foundations in this area, complementary to the initiatives already in existence, rather than to support growth in this sector through the creation of new foundations. Second, the financial structure of R&I foundations should be diversified in order to strengthen their independence and sustainability over time, beyond the effects of business cycles. R&I foundations should increase their investment in fundraising among individual donors, both through crowdfunding and bequest building tools. They should and also try to increase donations from other nonprofit donors. Endowment-building policies and active asset management should also be improved in order to increase the portion of income from endowments. Third, it is surprising that only 8 % of foundations indicate the business or the government sectors as their target beneficiaries beyond their commitment to the very specific private or public players they are instrumental to. These results suggest the need for stronger and broader partnerships between R&I foundations and both these sectors, which may have a synergic effect on the competitive improvement of all the key players in the R&I system, ultimately translating into economic growth. Connected with the need for a renewed vision of their potential role in society, some research areas that are currently neglected by R&I foundations, particularly those related to the primary sector (agriculture and natural science), should be revisited in the context of the global demand for economic growth based on environmental sustainability. Finally, regarding the motivations to engage in partnerships, both the generation of economies of scale and improved legitimacy are perceived as relevant motivations by a small percentage of R&I foundations. This suggests a need to further explain and input the potential advantages of meaningful cross-sector and intra-sector partnerships, for both increased efficiency and effectiveness in the strategies of Spanish R&I foundations.

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Sweden Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

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Research and  
innovation



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# 1 Contextual Background

## 1.1 Historical background

In the past Sweden was a poor country but with its fair share of natural resources. Over time it developed into a small but quite successful industrial and trading nation in northern Europe, and as a consequence considerable economic wealth was accumulated. This financial surplus in society, in combination with a historically strong philanthropic tradition, laid the ground for a rich and diverse foundation population. This accumulated economic wealth initially ended up in private hands – individual as well as corporate – but, in parallel to this increase in private wealth, later on also found its way into the State or governmental public sector. This second wave of wealth accumulation in public sector hands was the result of the long-standing dominance in government during the 20th century by the Social-Democrats, resulting in an expansive public sector and a subsequent high-tax regime. During this period, private wealth was transformed into public economic surplus and also a considerably harsher climate for the previously strong philanthropic tradition (Wijkström 2001). Also, this accumulation of public wealth at different administrative levels during the 20th century later started affecting the development of the foundation sector in Sweden in a number of different ways, for example by the establishment of new foundations, which still defines the size as well as the structure of the Swedish foundation landscape.

These very short and more general historical factors are important for explaining and understanding the growth and development of the Swedish foundation population as a whole. From a focus on education and scholarship in the foundations established in the period before 1800, their development can be described as one ranging over a 50-year period from 1800 to 1850 with a heavier emphasis on foundations in the field of social services. Research foundations seem to have dominated the arena from the second part of the 19th century onwards (Wijkström and Einarsson 2004). To understand this development a couple of other and more specific historical developments must be brought to the fore: the emergence and politics of the welfare state and the strength and dominance of the popular movement tradition (*folk rörelsetraditionen*) in Swedish civil society (Wijkström 2012). Moreover, it is important to make a distinction between an earlier and historically strong philanthropic tradition or culture in the country – to a large degree abandoned, counteracted or at least downplayed during the expansion of the welfare state in the 1900s – and the continued practice of establishing foundations, which was also carried on by public sector bodies during the welfare state era, but not necessarily in a traditional philanthropic spirit.

The most obvious picture of the position of foundations in the wider field of welfare provision in Sweden during the 20th century and the emergence of a public welfare state system is that of marginal or small complementary providers of either tangible social services or limited direct economic support. This marginal or complementary position of foundations appears to be the function of two different processes. The first process refers to older civil society institutions, and among them foundations, for example established in the mid- or late 19th century, and their development in parallel to the development of a

preferred publicly organised and funded welfare system. From an earlier dominant, or at least strong, position in their field, these institutions subsequently entered into this new and more marginal role as a result of the emergence of the welfare state and its institutions. The second process refers to nonprofit welfare institutions established later on, when the public welfare system had already matured and found its place. In this case, these new civil society players were created or set up in relation or complementary to an already strong dominant public sector system for the delivery of welfare. This new situation was, so to speak, part and parcel of their very birth (Lundström and Wijkström 1997; Wijkström 2013).

Furthermore, for different reasons and already in place in earlier periods (but even more pronounced during the 20th century and the Social-Democratic era), we can observe a hostile or suspicious attitude towards privately established foundations or charity arrangements. This negative sentiment did not relate to foundations alone; it also concerned the wider sphere of private, nonprofit, alternatives in social welfare as well as in education and healthcare (Gür 2013; Wijkström 2001). Also, this suspicion, and sometimes outright hostility, towards alternative arrangements – alternative to the welfare state, that is – must be taken into account when trying to understand the marginal position of foundations in Sweden during the 20th century, especially within the core areas of the welfare state. As is argued elsewhere, this irritation with the foundation format is often the result of the very character of foundations as inflexible pools of capital without easily identified proxies for their owners (Wijkström and Einarsson 2004).

Today we have a situation where most earlier foundation arrangements have either been transformed, or later established foundations have developed into marginal actors in their fields. In a way, it might even be possible to argue that the institutional memory and practice in society of having strong independent foundations in central positions in their respective fields have been lost to a great extent, which might become important when the tide could now be argued to be turning and both the practice of volunteering and philanthropy at a more general level in society seem to have become more and more en vogue during the last couple of decades (Wijkström 2011). In today's changing situation, when a slightly larger share of the resources for scientific research in Sweden is found in more independent foundations outside of direct State or government control, for example, this lack of institutional memory might result in an ambiguous and confusing situation, since many of the most important actors in this field – such as universities and public sector research agencies – are not used to having or does not seem to be prepared to have a huge number of smaller private funders of research around to deal and interact with. At the same time, and apart from a few significant cases of major private initiative foundations, we can witness does not seem to be prepared of how to establish and run philanthropic institutions in Swedish society (Wijkström 2007; Wijkström and Einarsson 2004).

During the 20th century, the popular movement association emerged as the most dominant civil society tradition in Sweden. This form did in many situations replace other forms as the way in which to organise non-profit or voluntary activities (Wijkström 2011, 2012). The strength of the *folkrörelse* concept in Sweden has even been described as a 'popular movement marinade' in which civil society in Sweden has been embedded for a long time (Amnå 2008; Hvenmark 2008; Hvenmark and Wijkström 2004; Wijkström, Einarsson and Larsson 2004). In this strong popular movement tradition emerging in Sweden during the 20th century, the idea and existence of foundations has not always been easily integrated. Sometimes they

have even been perceived as being in opposition to the popular movements and their associations. Often, this perception was due to the group or class of people or the values associated with the foundations, but sometimes also the non-democratic and memberless format of foundations has been part of the problem.

The other major development in the Swedish foundation arena during the 1990s was the dissolution of the wage-earner funds (*löntagarfonderna*) and the subsequent creation of the so-called wage-earner fund foundations (*löntagarfundsstiftelserna*), many of which had a focus on research and higher education (MISTRA and the Knowledge Foundation, which are part of the interview sample, are two examples of the so-called wage-earner foundations). These new foundations were set up by the conservative government in power 1991-94, by redeploying the capital from the previously established, and highly debated, wage-earner funds. In total, almost EUR 2 billion was used as an endowment for, in total, eleven new grantmaking foundations supporting, among other things, research and innovation. In 2002 six of these foundations were among the 28 largest foundations in Sweden (each with more than EUR 100 million in assets). In the same year another foundation, the Riksbankens Jubileumsfond (already established in the early 1960s), received a considerable separate donation from capital from the wage-earner funds (Wijkström and Einarsson 2004).

The official reasons behind the creation of these new large foundations, given by the conservative government at the time, were that foundations allowed for a more flexible way of organising and operating, and that the foundation structure was an already well-tested format for managing and distributing resources for research. Later, it was also argued that the independent position of the foundations and the fact that they were so tightly bound by their original missions also ensured stability and long-term prospects in their operations (Sörlin 2005c; Wijkström and Einarsson 2004).

The new foundations were established in several stages. During 1993, it was decided that only two foundations should be set up, that the separate donation mentioned earlier should be granted, and that the ownership of two earlier public sector universities should be transferred into private foundations through the creation of two completely new operating foundations. However, during late 1993 and early 1994, it became clear that the assets from the former wage-earner funds had increased in value and that several hundred million Euros would still remain after the originally planned foundations were created. In March 1994, more than EUR 800 million remained, and so it was decided that another seven smaller foundations should be created to harbour these new and unexpected resources. Five new research foundations and two others were therefore established in 1994, one to promote a more vital cultural life and the other to increase the financial support for innovations (Wijkström and Einarsson 2004).

## 1.2 The legal and fiscal framework

Swedish Foundation Law states that a foundation exists only when: (1) an asset or property (2) has been set aside from the donor(s) (3) to be administrated separately and permanently (4) with the aim of serving a specific purpose. A fundraising foundation is considered created when: (1) one or more founders state that the funds that are collected will be administrated separately and permanently with the aim of serving a specific purpose and (2) an individual or organisation accepts to administrate the funds in accordance with the purpose of the fundraising foundation. A Swedish foundation cannot have owners or members,

but is instead described as a 'self-owning entity' (*självägande*). A foundation is required to have a board, and the word '*stiftelse*' must be part of the official name, a word that in legal terms today is reserved for foundations only.

The Swedish Foundation Law acknowledges two methods to administer a foundation as described earlier; either through an autonomous board, or through the care and administration of the board of another organisation or institution. This latter is referred to here as an attached administration (*anknuten förvaltning*). In the 2012 registers, a total of 8 140 foundations were placed under attached administration, which is more than half of all philanthropic foundations in the database. The combined assets of these many smaller foundations, with their administration attached to the board of another organisation or institution representing some 30 % of the total foundation capital.

Apart from the Foundation Law (passed in 1996; before this there was no law regulating foundations), Tax Law is also of importance in order to gain an understanding of foundations in Sweden. The current fiscal legislation for foundations dates back to the 1940s, although earlier examples of favourable treatment can be found, such as in 1810. In particular, scholarship funds and some specific charitable foundations (*fromma stiftelser*) were then granted tax-exemption (Hagstedt 1972; Isoz 1997). In the early 1990s, an overhaul of the tax legislation for foundations and non-profit associations was carried out and subsequent new legislation was proposed in a public government report published in 1995. This revision was met with criticism, and in 2003 the proposal was finally put to rest.

The tax legislation for nonprofit associations and foundations was renewed on 1 January 2014. Besides many linguistic modifications which make it easier to understand the legislative text, there was also a major change regarding the definition of public benefit, which has meant that a greater number of foundations with a wider range of purposes than previously are now exempt from tax.

Swedish Tax Law on the nonprofit sector is structured so that a nonprofit association (*ideell förening*) or foundation that benefits certain specified public purposes may be exempt from capital income tax, and thus the legal definition of what is considered public benefit becomes highly important. The purposes that were previously considered public benefit purposes were different for associations and foundations. A cultural, sporting or religious purpose, for example, was seen as a public benefit purpose for a nonprofit or voluntary association, but not for a foundation. This meant that operations that would otherwise have been the same were taxed in different ways depending on the legal status of the organization.

With the new tax legislation, associations and foundations now receive a uniform definition of what public benefit is. This represents an extension compared to the previously used and more narrow definition for foundations. The most common public purposes are now: education, scientific research, sports, culture, the environment, care for children and young people, political activities, religious activities, medical care, social work, defense and emergency management in cooperation with the government, or equivalent activities.

The consequence of having two different parallel legal systems (Civil Law and Tax Law) with occasionally overlapping terminology and the use of similar words, does not simplify attempts at classifying or defin-

ing different types of foundation or their activities. For a more in-depth discussion on fiscal legislation see Melz (1998) as well as Gunne and Löfgren (2001).

### 1.3 The foundation landscape

According to our recently updated database there are today more than 13 100 larger philanthropic foundations in Sweden with combined and reported assets of more than EUR 26 billion in 2012 (book value). The majority of these foundations are endowed grantmaking foundations, but there are also some fundraising foundations and operating foundations (for information on Swedish operating foundations see Olsson, 1996).

As we can see in Table 1 below, the Swedish foundation population can be divided into autonomous foundations – with a board of their own to govern and lead the operations of the foundations – and foundations that are administered by the board of another organisation or institution. Swedish Foundation Law acknowledges two methods to administer a foundation; either through an autonomous board, or through the care and administration of the board of another organisation or institution. The latter is referred to here as an attached administration (anknuten förvaltning).

The three main fields where we can identify attached foundations (in terms of number as well as assets) include education, research and social services. This mirrors the general picture of foundations in Sweden. In our database, approximately 7 000 foundations were found under an attached administration (anknuten förvaltning). In total, they are reported to hold more than EUR 1 billion in assets as of 2012 (Einarsson and Wijkström, forthcoming).

**Table 1: The Swedish Foundation Sector 2012 (Einarsson and Wijkström, forthcoming).**

	Autonomous administration		Attached administration	
	Number	Assets (EUR mil.)	Number	Assets (EUR mil.)
Grantmaking	4 100	16 600	6 900	800
Fundraising	300	150	50	20
Operating	1 500	8 800	150	250
Total	5 900	25 550	7 100	1 070

The main bulk of foundations' wealth in Sweden is to be found in foundations created in the 20th century. Almost 75 % of all existing foundations and more than 90 % of their 2012 assets originate from the last century. Only some 800 foundations pre-date the start of the 20th century. Moreover, most of the foundations existing in 2012 – approximately 10 500 – were actually established during the period 1950-1999. In the table below we present the current situation for Swedish foundations and their assets according to the ICNPO classification system. It is clear that research (followed by social services, development and housing and education) in terms of assets today still dominates the Swedish foundation population.

During the 20th century, supporting research was clearly the most popular reason to create foundations, especially in terms of the wealth donated. As many as one out of five foundations set up during the last

century was a research foundation, and their combined assets of approximately EUR 6-7 billion represented almost 45 % of the total philanthropic foundation wealth in 2002. This development has also affected the total capital to be found in this particular field, which is today the largest, followed by education and social services.

**Table 2. Swedish foundations presented per ICNPO field in 2012 (Einarsson and Wijkström, forthcoming).**

Aim	Number	Assets (EUR mil.)
Culture and recreation	1 420	1 400
Education	2 420	3 800
Research	2 800	9 600
Healthcare	670	1 100
Social services	4 100	4 700
Environment	300	300
Development and housing	870	4 400
International activities	320	200
Religion	670	900
Unclassified	290	200
<b>Total</b>	<b>13 860</b>	<b>26 600</b>

The Swedish foundation sector of today is rather fragmented, but there is an umbrella organisation called the Association of Swedish Foundations, which strives for a supportive legal and fiscal environment for foundations. It was founded in 1989 and has just over 200 members. This organisation is part of an emerging philanthropic landscape in Sweden and also one of the actors consulted by the Swedish government on new legislation proposals regarding issues affecting foundations. The Association of Swedish Foundations is further a member of Donors and Foundations Networks in Europe (DAFNE), which is a network with its own governance structure bringing together more than twenty donors and foundation networks from across Europe. With a collective membership of over 6 000 foundations, DAFNE underpins the individual activities of its members by strengthening collaboration between national associations and providing a platform for the exchange of knowledge.

## 1.4 Research/innovation funding in Sweden

Sweden is one of Europe's champions when it comes to investing in research and innovation, according to the European Commission. In 2011 the country invested 3.37 % of its GDP in research and 0.65 % of its GDP in innovation and structural change for a total of 4.02 %, which makes Sweden one of the world's most R&D intensive countries. There exist several important clusters of key technologies within the country, especially within energy and environmental technology, health and medical technology, biotechnology, ICT, materials and new production technology, machine tools, and transport and motor vehicle technology (European\_Commission 2013).

There are, however, several important challenges ahead since Swedish R&D investments are heavily dependent on the investment of private multinational companies which are increasingly moving their R&D

facilities as well as investments outside the country. This has indeed led to a significant drop in business R&D intensity, which in turn has halted Sweden's progress towards the national R&D target of 4 % of its annual GDP. To address these challenges, a new Government bill on research and research-based innovation, as well as a new innovation strategy, were launched in Autumn 2012 (European\_Commission 2013).

Foundations have played an important role in the Swedish research system for a long time and they have been especially important funders of expensive equipment and buildings. They have of course also been important funders and initiators of projects. But overall they have mainly been complementing the activities of the State and business sectors, especially since the 1950s when state-funded research started to grow. This could be described as foundations historically having an avant-garde role that has gradually changed instead into a role of complementing the State or public sector in its funding of research (Sörlin 2005b; Wijkström and Einarsson 2004).

Some foundations, and especially the larger ones, have over time developed a distinctive character, and it might be possible to argue that they through this they have brought more pluralism and risk-taking into the research field. It is also interesting to note that the approximately EUR 440 000 that Swedish foundations donate to research each year is equivalent to the cost of the research conducted at Uppsala University or Lund University (Sörlin 2005a). For a more comprehensive picture of the Swedish research field in general see, for example, Sörlin and Törnqvist (2000) and Blücker and Österberg (2006), and for a discussion of the relationship between philanthropy and economic growth see Braunerhielm and Skogh (2004).

In general there are two views on the effects of external funds on the quality of research. The first view is that external funds lead to more resources, which make more research possible. The availability of these external funds also increases competition between individuals and groups of researchers, which overall is understood to have a positive effect on the quality of research. The second view is that since universities are already understood to be underfinanced, external funds are allowed to influence the research agenda unduly, thus undermining the general freedom of research (Sörlin 2005a).

A recent major change in the research field, well-described in the book 'I absoluta frontlinjen' edited by Sverker Sörlin (2005c) and mentioned earlier, is the creation of the so-called wage-earner fund foundations, which according to Sörlin can be seen as the starting point of the transformation of the research field into an increased concentration of resources and a differentiation between universities. Here foundations are used as a tool in the transformation of this field from being governed by the academic values of basic research to applied research with strategic (national) importance from more of an economic standpoint (Benner 2005a). At the same time it is, however, important to remember that the foundations created when the wage-earner funds were dissolved represent a fairly small part of the total research budget of the universities, around 5 %, according to Sörlin (2005a). This new initiative also met with some resistance from the actors in the existing system and the change has not been as great as the instigators might have hoped for. To sum up, the wage-earner funds have, according to this research, been important for individual projects and even universities, but they have not had a broad impact on the research field and can be more fairly seen as an incremental agent of change in a quite stable system than as a major game changer (Benner 2005b; Sörlin 2005a).

# 2 Data Collection

## 2.1 The identification of foundations supporting R&I

An extensive research database was put together during an earlier project in 2002-2003; this was made possible by the financial support from the Riksbankens Jubileumsfond. As a result of the introduction of the Foundation Law in 1996, which requires most Swedish foundations to register with the County Administrative Board (Länsstyrelsen), and the generous cooperation of the County Administrative Board we have access to unique primary data on, for example, the book value of a foundation's capital, its purpose statement and the year of its founding for approximately 12 500 Swedish foundations, as of 2002 <sup>[1]</sup>. These primary data were imported into the new research database and further developed.

Some 1 700 of the foundations in our database had assets valued at less than ten basic amounts. Due to their size, these foundations fall into a segment of the Swedish foundation population not required to register. We do not know the total number of foundations in this segment, but the total assets of these smaller foundations from the registers accounted for approximately EUR 17 million, representing less than 0.01 % of the total 2001 foundation asset value found in the registers. The exact number and wealth of the smaller foundations in Sweden is still unknown, but it is very unlikely that they have aggregated book value assets of more than EUR 1 billion. Not only do we not know the exact number of these small foundations, we are also ignorant about when they were established and in what areas they operate. Our preliminary estimate, however, is that the sum of all the assets from these smaller foundations is not likely to represent more than, at most, less than 5 % of the total foundation wealth in Sweden at the beginning of this century (Wijkström and Einarsson 2004).

This database has since been updated with new data from 2012. As a result we have access to unique primary data for approximately 17 500 Swedish foundations (Einarsson and Wijkström, forthcoming). The data from the CAB register have subsequently been substantially improved. We have further substantially updated and completed the material through the correction of existing register data, or the completion of missing register data. During 2003 and 2004, for example, we have been able to fill in the missing years of establishment for some 800 larger and/or older foundations, as well as missing information on individual foundation assets for another 600 foundations.

In parallel to this increase in the quality and the range of the data in the database, we have also been classifying (coding) every individual public benefit foundation (in total approximately 14 000 foundations) according to a couple of different classification systems. We have studied each individual foundation pur-

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1 Swedish Foundation Law requires the two main categories of foundation to report and register with the County Administrative Board in their county. First of all, this requirement covers larger foundations (with total assets of more than ten basic amounts, geared to the price index – the basic amount being about SEK 35 000 in 2002 when the database was created). Secondly, foundations operating some kind of business are also required to report and register.

pose statement and classified them according to the ICNPO system (International Classification of Non-profit Organisations), where the codes refer to the field of activity in which the individual foundation is engaged (Salamon and Anheier 1996). The majority of foundations found in the registers concentrate their activities within one single ICNPO field, but some foundations have their activities spread over several fields. In these cases we have, as far as possible, collected their annual reports and classified them into several fields according to the distribution of their actual expenditure during the relevant year. The other major coding exercise we have defined as 'sphere' coding. In this, we have identified the type of main affiliation for each foundation, for example whether it is primarily a government-related, a corporate or an independent foundation.

For the year 2003 we further collected data for a special sample of nearly 400 individual foundations to calculate a first ever estimate of annual foundation grants in Sweden. The foundations were selected from our database according to size, type, geographical distribution and the relevant ICNPO field. After this stratified sampling, economic data concerning for example annual grants, expenditure and the market value of the foundations' stock portfolios were gathered through personal on-site visits to the premises of several of the County Administrative Boards in Sweden (CAB), where the annual reports and statements for all the Swedish foundations are kept. Our overall purpose was to create average grant/capital ratios for various groups or categories of foundations, to be able to estimate the total annual grants made by the Swedish foundation sector. For these categories, the separate average ratios were calculated and through our knowledge of the total foundation assets in each of these sub-populations, we were able to produce an estimate of the value of the total annual grants in each of the main categories, for example small foundations (with less than SEK 10 million in assets), found in certain ICNPO fields. The information on all of these sub-categories was then merged to create an estimate of the grants from Swedish foundations (Wijkström and Einarsson 2004).

Using the abovementioned database in conjunction with what was learned in the earlier FOREMAP project (Einarsson 2009) a sample of the 125 largest research foundations and an additional 100 smaller research foundations were selected in order to cover the largest foundations representing the majority of the expenditure in this field, as well its full scope. We are therefore confident that the sample be a good reflection the Swedish research foundation landscape.

## 2.2 The survey

The foundations in the sample where all sent an invitation to participate in the survey by email, and the invitation was accompanied by a cover letter from the research group, from the Director of Riksbankens Jubileumsfond and from the EFC. For those foundations that had no known email address a postal invitation to participate in the survey was sent out. Two waves of reminders were also sent out to the respondents in the sample.

All in all this amounted to 70 foundations responding to the survey. In order to strengthen the survey the research team also collected information from public databases and annual reports on 21 foundations from the sample that had not filled in the survey. This enabled us to fill in partial data on these foundations and to improve the response rate (at least on certain questions) to 40 %.

## 2.3 The interviews

In combination with an extensive literature review the survey data were complemented by an interview study targeting seven foundation executives. The interviewees were selected from the largest and most influential Swedish research foundations. When selecting the interviewees we also wanted to cover a variety of founders (private individuals, State, business), forms of foundation (endowed and fundraising), and focus area (medicine, natural science, social science, technology etc.). By selecting a sample of foundations covering these categories we are fairly confident that we are mirroring the larger Swedish research foundations. The interviewees were:

Göran Blomqvist, Managing Director of the Riksbankens Jubileumsfond, a large Swedish foundation with the goal of promoting and supporting research in the humanities and social sciences.

Kjell Blücker, Managing Director of the Ragnar Söderberg Foundation, a large Swedish research foundation. Founded by a private individual in order to strengthen Swedish competitiveness through research.

Hans G. Forsberg, Managing Director of Ångpanneföreningen's Foundation for Research and Development, founded in 1983. Its assets consist mainly of shares in AB ÅF, which is listed on the Stockholm Stock Exchange. Returns on their assets are used to promote research primarily in its purpose areas: energy, the environment, safety, materials, and forest industrial processes and products.

Lars-Erik Liljelund, Executive Director of MISTRA, a large Swedish research foundation. Founded using State funds (one of the wage-earner foundations) with the explicit purpose to create strong, world-class research environments and to solve key environmental problems. Every year, Mistra invests a sum of around SEK 200 million in various research initiatives to build bridges between academic disciplines, as well as between research, on the one hand, and private companies, public agencies and other stakeholders on the other.

Göran Sandberg, Executive Director of The Knut and Alice Wallenberg Foundation, the largest foundation in Sweden, founded by private individuals. The Foundation grants funding in the following areas; research projects with high scientific potential, infrastructure of national importance and individual support for excellent scientists. The funding goes mainly to research and equipment for the natural sciences, technology and medicine.

Madeleine Sandström, Executive Director of The Knowledge Foundation, a large Swedish research foundation. Founded using State funds (one of the wage-earner foundations) with the task of strengthening Sweden's competitiveness and ability to create value by funding research at universities.

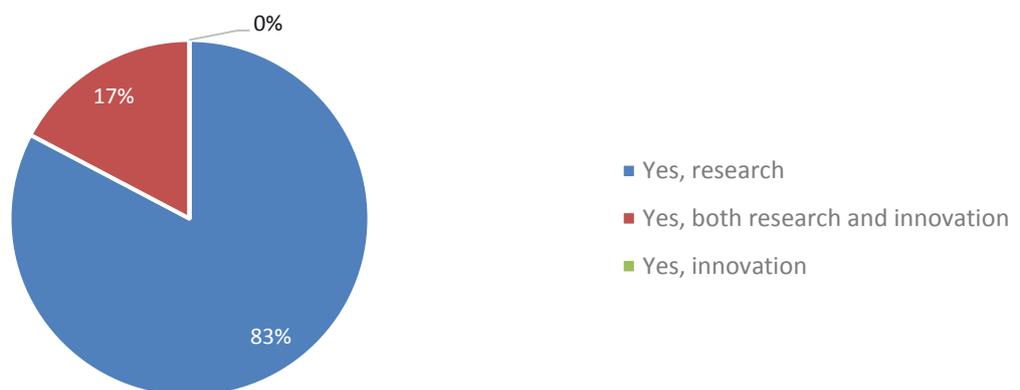
Gunilla Steinwall, Secretary General of The Swedish Brain Foundation, a fundraising foundation that raises money for research and information about the brain and its diseases, injuries and disabilities.

# 3 Results

## 3.1 Types of foundation

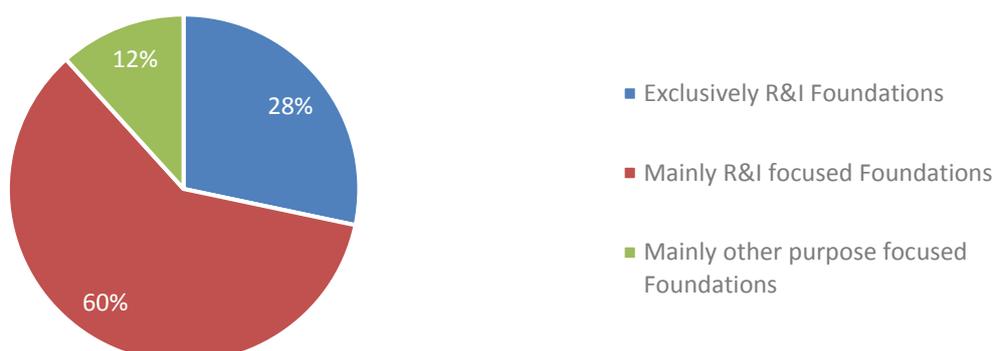
The overwhelming majority of the respondents that answered the survey (see Figure 1 below) classified their foundations as pure research foundations. Only a minority of them classified their foundations as active within the field of innovation. We can also see that no foundation in the sample is focused solely on innovation, but that all the foundations have a research component. This agrees with the picture given in the interviews when several respondents stated that there were several other players within the field of research such as State agencies and corporations which do more targeted activities, and that foundations therefore should focus more on basic research.

**Figure 1: Types of foundation; research and/or innovation**  
As a percentage of the total number of foundations (N=87)



If we look at Figure 1, which depicts the type of research the foundations in the sample fund, we can see that the majority of the respondents stated that they either fund applied research or both applied and basic research, and only a minority stated that they only fund basic research. Most of the respondents who stated that their foundation funds both basic and applied research have a mix of around 50/50, and those that lean towards one type of research tend to do so more toward applied research.

**Figure 2: Types of foundations according to purpose**  
As a percentage of the total number of foundations (N=60)



When looking at how the foundations allocate their resources we can see that most R&I foundations also focus on other areas of funding.

More than 90 % of the respondents that answered the EUFORI survey classified their foundations as grant-making and less than 10 % classified their foundations as operating and/or mixed. This is well in line with what we know about the Swedish foundation sector in general, where the majority of foundations are registered as grantmaking foundations. This is even more pronounced when it comes to the larger foundations active in research (Einarsson and Wijkström, Forthcoming; Wijkström Einarsson 2004).

**Figure 3: Types of foundations: grantmaking versus operating**

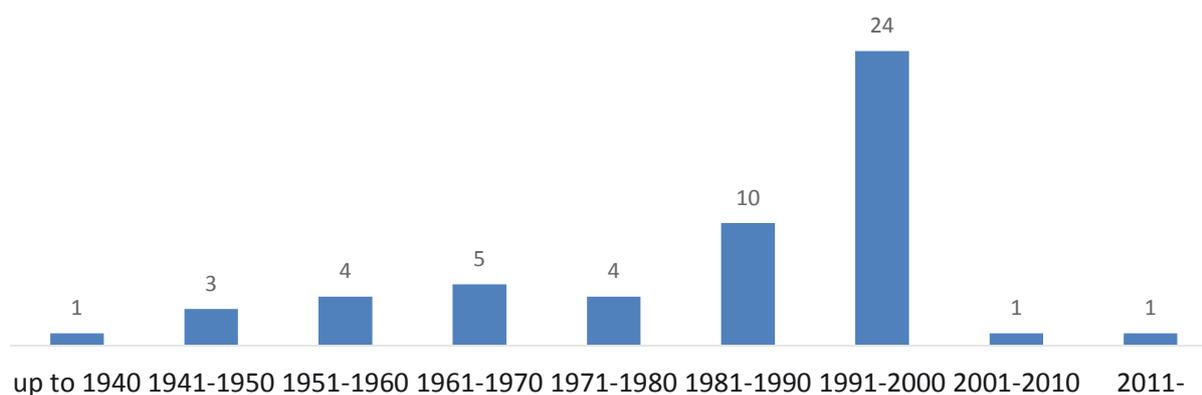
As a percentage of the total number of foundations (N=80)



One very interesting finding in the survey is the year the foundations were founded. As can be seen in the figure below the majority of the foundations in the sample were founded between 1980 and 2000. Of particular interest is the noticeable dip in the creation of research foundations after 2000. One explanation for this might be due to the sample (the study targeted the largest grant-making foundations in the field of research and innovation) and also which respondents chose to answer the survey. Another explanation is of course that a large number of the research foundations that were created in the 1990s originated from the conversion of wage-earner funds.

**Figure 4: Types of foundation according to year of establishment**

Number of foundations by decade (N=53)



## 3.2 The origin of funds

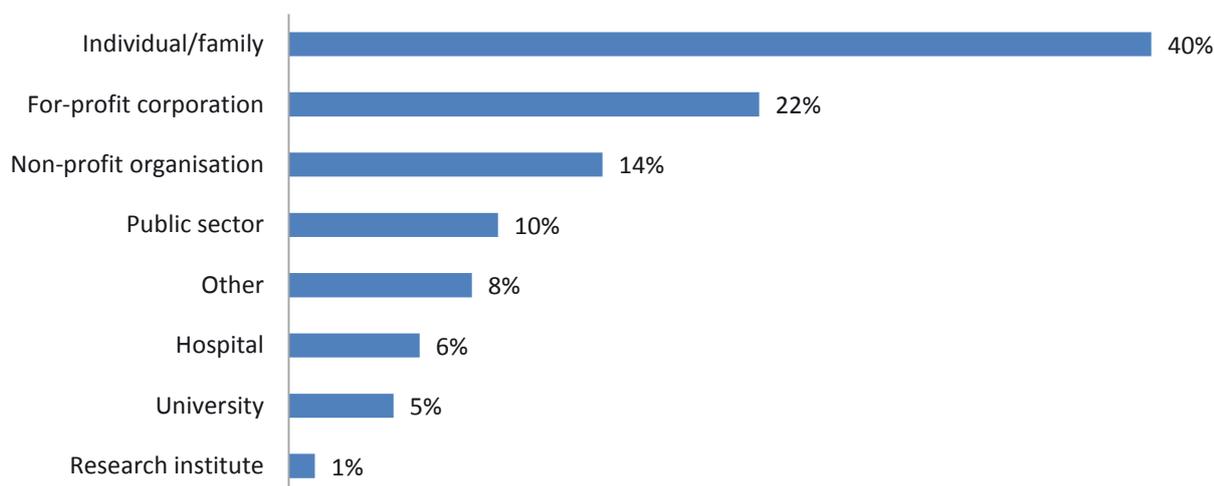
### 3.2.1 Financial founders

The majority of the respondents stated that their foundations were established by private individuals and/or families, closely followed by for-profit corporations or nonprofit organisations. This indicates that the majority of foundations in the sample were established through non-public sector money. It is interesting to note that more than ten of the foundations in the sample stated that they were created by other civil society organisations.

Eight respondents stated that their foundations were created by public sector entities. Since the majority of universities and hospitals in Sweden are public sector bodies we could reasonably add them to the public sector, which would bring the number of foundations created by the public sector to 17, which is about half the number claimed to have been created by private individuals and/or families.

#### Figure 5: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=83)



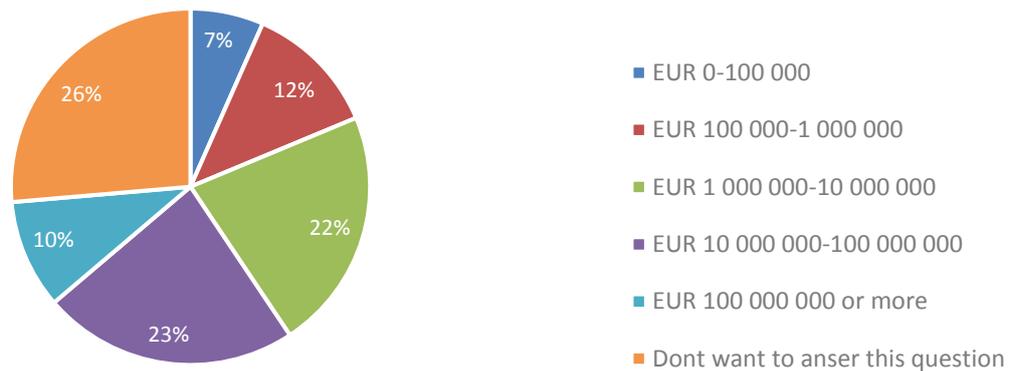
Four respondents chose to name several founders. The combinations were: individual/for-profit/nonprofit, for-profit/nonprofit, university/research institute and hospital/nonprofit.

Seven respondents chose to name another type of founder and also left a comment regarding the type of founder. Two of these named individuals were from the royal family, one named a corporation together with the State, one named the Swedish Parliament, one named a savings bank, one named a trade union and one named a corporation together with a popular movement.

### 3.2.2 Income

If we look at the income of the foundations in the sample we can see that the size of income varies a lot between them. This pattern is also reflected in the wider Swedish foundation sector, where a number of large foundations dominate the field by their size of capital and grants, but where there also exists a large number of smaller foundations.

**Figure 6: Total income according to categories in Euros, 2012**  
As a percentage of the total number of foundations (N=91)

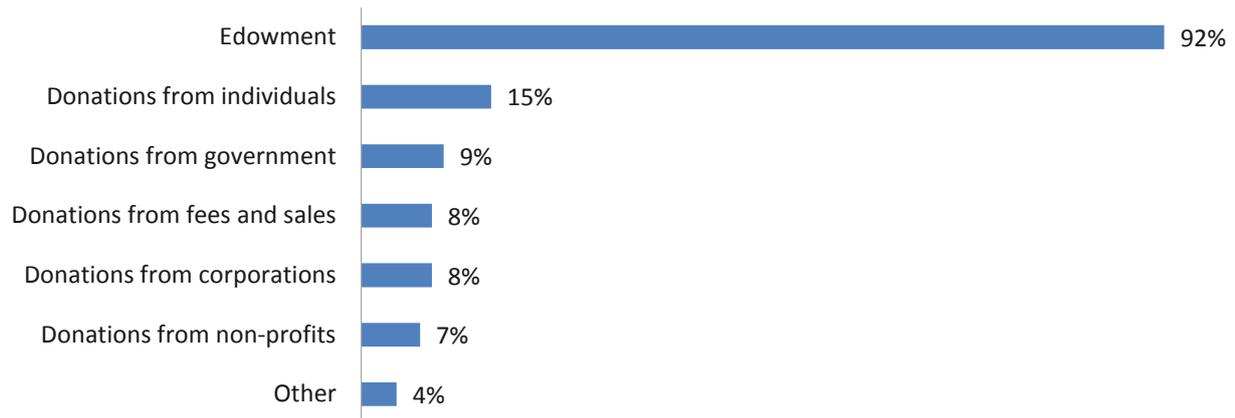


Statistics on income	
Number of foundations	67
Mean income in Euros	14 216 000
Median income in Euros	729 000
Total income in Euros	952 443 000

If we continue analysing the sources of the income of the foundations in the sample we notice that the dominating source of income is return on endowed capital. More than 90 % of the respondents that chose to answer the question stated that their particular foundation has income from an endowment. All the other sources of income were mentioned by only 5-15 % of the respondents. This is probably due to the fact that the historically dominant form of foundation in Sweden is the endowed foundation, even though we have seen an increase in operating foundations over the last twenty years or so.

### Figure 7: Sources of income

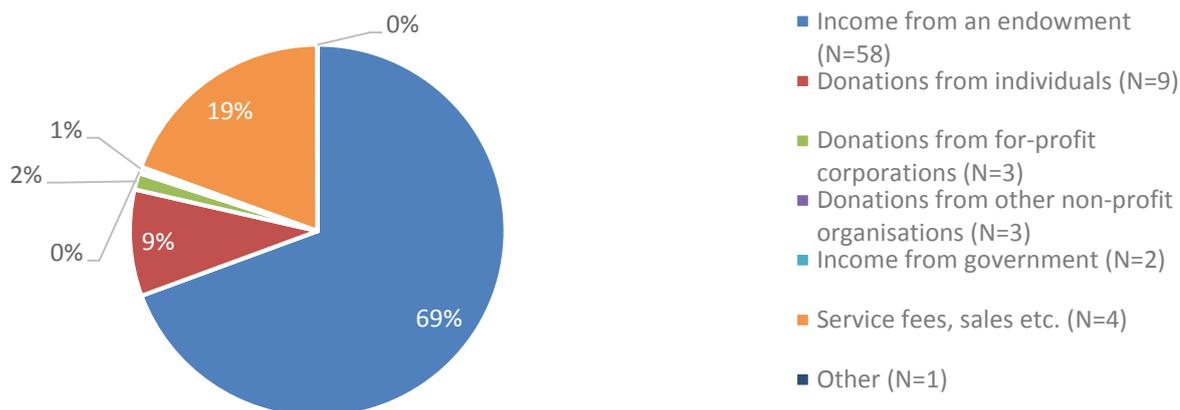
As a percentage of the total number of foundations (N=74)



This pattern is also visible when we analyse the different sources of income as a percentage of the total income of the surveyed, see figure 8. We can see that almost 70 % of all the foundations' income within the population comes from income from an endowment. The second largest source of income is income from fees and sales, which stand for 19 % of the total income, followed by donations from individuals, which stands for 9 % of the total income. This picture, that the income in the foundation arena is dominated by income from endowments, confirms what we already know. It is, however, also interesting to note that as much as 19 % of foundation income is generated through their own activities such as service fees and sales.

**Figure 8: Sources of income**

As a percentage of total (known) income



Sources of income	Euros
Income from an endowment	418 125 000
Donations from individuals	55 682 000
Donations from for-profit corporations	8 655 000
Donations from other nonprofit organisations	1 173 000
Income from government	2 315 000
Service fees, sales etc.	116 730 000
Other	199 000
Unknown	349 565 000
<b>Total income</b>	<b>952 444 000</b>

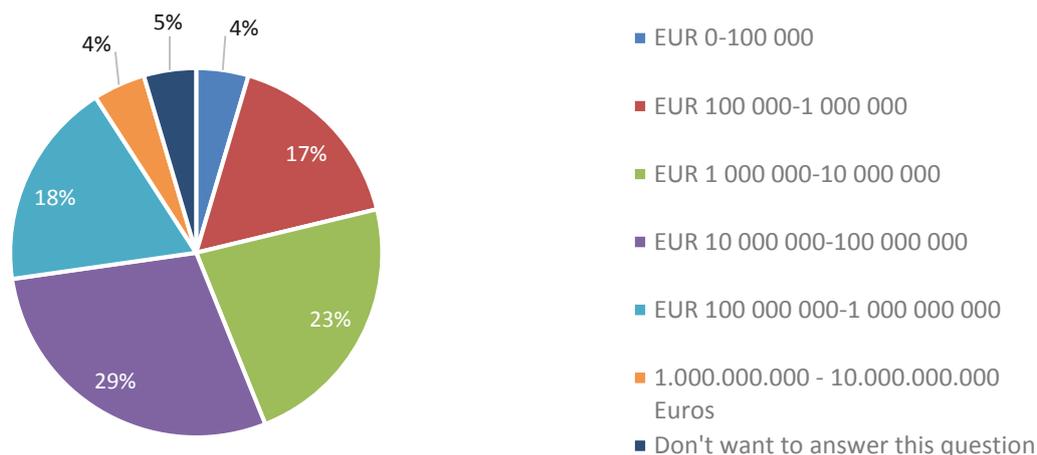
In the survey, we also asked the representatives of the foundations if they were able to use the capital of their foundation, or if they were allowed to use only the proceeds from the capital. Around half of the respondents stated that their foundation was created in perpetuity, and thus only could use the proceeds in order to maintain their endowment. About 40 % of the respondents stated that they were able to use their capital at the discretion of the board and around 10 % of the respondents stated that their foundations were created as spend-down foundations, and thus should use up their capital within a specified time frame.

### 3.2.3 Assets

If we analyse the distribution of capital within the sample we notice that most of the foundations are of a smaller size, but when we look at where the bulk of the capital in the sample lies, we can see that it resides in the larger foundations. This is also true for the Swedish foundation sector as a whole, where the bulk of the capital is managed by a few very large foundations, while the majority of the foundations are rather small.

**Figure 9: Total assets according to category in Euros, 2012**

As a percentage of the total number of foundations (N=66)



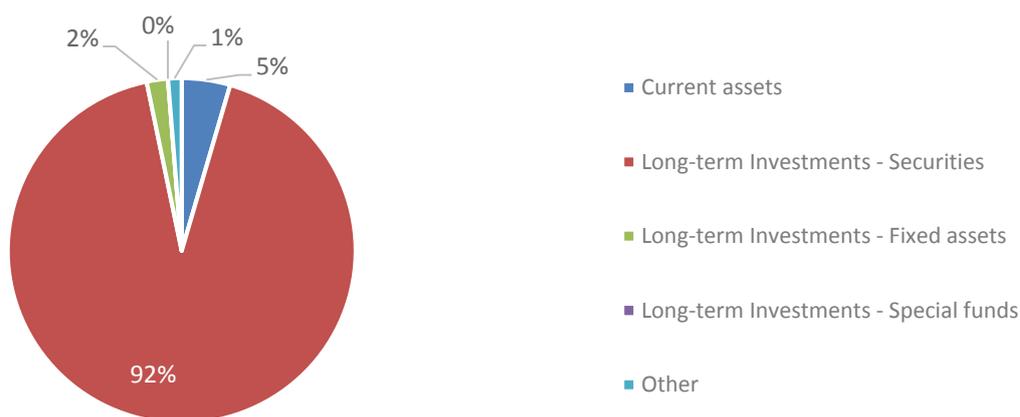
Total assets according to category, 2012	
EUR 0-100 000	84 000
EUR 100 000-1 000 000	5 279 000
EUR 1 000 000-10 000 000	59 603 000
EUR 10 000 000-100 000 000	603 656 000
EUR 100 000 000-1 000 000 000	3 711 687 000
EUR 1 000 000 000-10 000 000 000	6 537 320 000

Statistics on assets	
Number of foundations	63
Mean in Euros	173 296 000
Median in Euros	13 040 000
Total assets in Euros	10 917 631 000

When looking at how the assets of the foundations in the sample are placed, we can see that the majority of assets, a little over 90 %, is placed in long-term securities. Some assets, around 5 %, are held as current assets, probably in order to have liquidity to pay grants, salaries and other costs.

**Figure 10: Distribution of assets**

As a percentage of total (known) assets



Distribution of assets	Euros
Current assets	491 207 000
Long-term investments – securities	10 058 517 000
Long-term investments – fixed assets	215 168 000
Long-term investments – special funds	144 000
Other	137 624 000
Unknown	14 971 000
<b>Total assets</b>	<b>10 917 631 000</b>

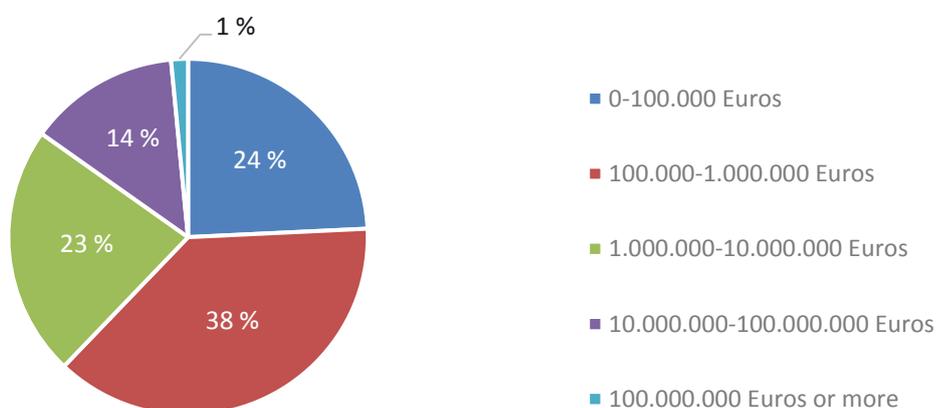
## 3.3 Expenditure

### 3.3.1 Total expenditure

The majority of the foundations in the sample, about 62 %, have expenditure of under EUR 1 million per year and only around 15 % of them have expenditure of over EUR 10 million. On the other hand, if we look at the total amounts we can easily see that it is the larger foundations that represent the bulk of the grants for research and innovation.

**Figure 11: Total expenditure according to category in Euros, 2012**

As a percentage of the total number of foundations (N=66)

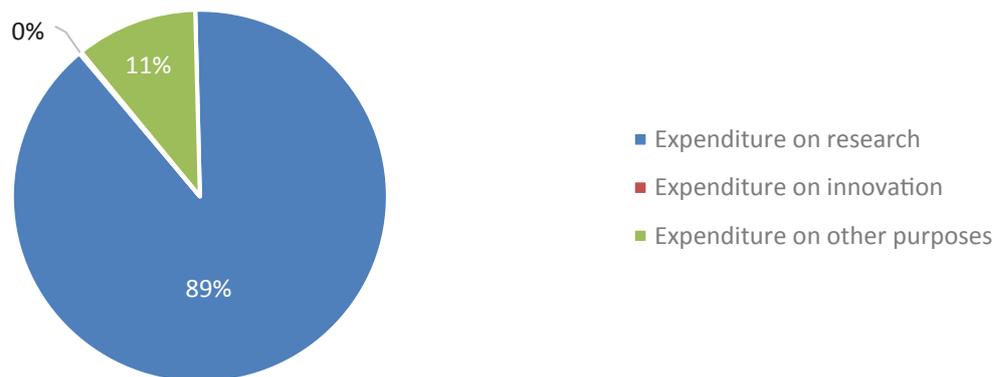


Statistics on expenditure	
Number of foundations	66
Mean in Euros	7 759 955
Median in Euros	609 000
Total expenditure in Euros	512 157 000

For the distribution of total expenditure we can notice that the absolute majority of expenditure, around 90 %, is directed towards research and only around 10 % is used for other purposes. This is probably used for the administration of the foundation and its grant program. It is interesting to note is that nothing goes towards innovation.

**Figure 12: Distribution of total expenditure; research, innovation and/or other purposes**

As a percentage of the total known expenditure (N=57)



Expenditure on	Euros
Research	435 819 000
Innovation	929 000
Other purposes	51 229 000
Unknown	24 180 000
Total Expenditure	512 157 000

In the table above one can notice that the majority of the foundations' expenditure foundations is used for funding research, and only a very small portion goes into what could be labeled as innovation activities.

### 3.3.2 Research expenditure

The expenditure of the surveyed foundations is divided between direct research and research-related activities, but we can see that around 90 % of the expenditure is used to fund direct research and only about 10 % is dedicated for research-related activities.

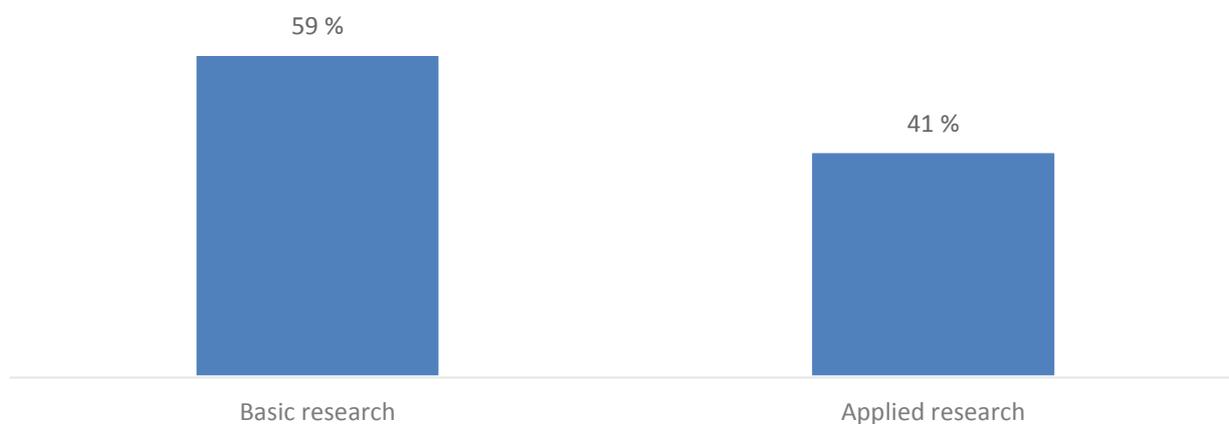
#### Expenditure on research

Expenditure on research	
Direct research	245 692 000
Research related	24 270 000
Unknown	165 857 000
<b>Total expenditure on research</b>	<b>435 819 000</b>

The distribution between expenditure on basic versus applied research is fairly balanced with a slight predominance of basic research over applied research.

**Figure 13: Distribution of expenditure on research; basic versus applied**

As a percentage of the total number of foundations (N=40)



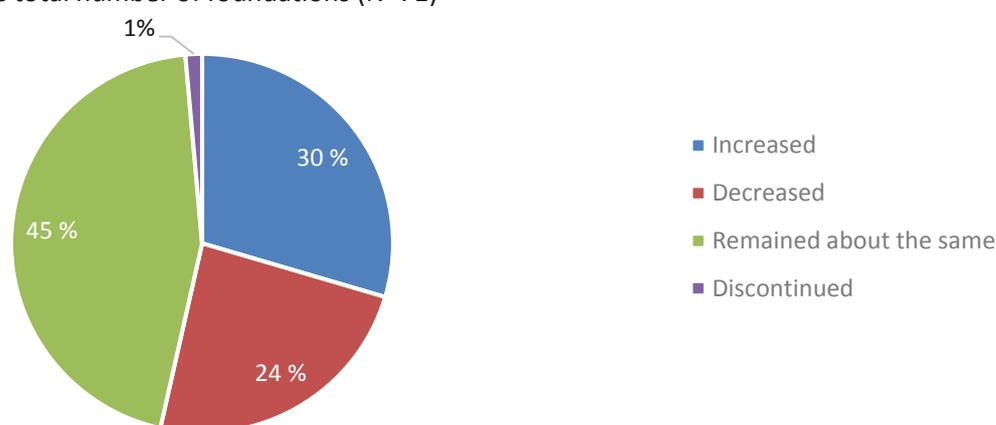
Distribution of expenditure on research	
Basic Research	165 880 000
Applied Research	115 977 000
Unknown	153 962 000
<b>Total expenditure on research</b>	<b>435 819 000</b>

### 3.3.4 Changes in expenditure

About half of the respondents stated that their foundation's expenditure had been unchanged since 2011, 30 % claimed that it had increased and 24 % stated that it had decreased. The main reason given by the respondents for increasing expenditure was the positive and strong development of the stock market and an increased return of capital. In one of the foundations, the respondents also mentioned that they had saved funds in order to be able to finance a larger project the following year. One of the respondents also pointed out that it was the development of the stock market that made it possible to grant a large amount of funds and that the many good applications made it important to do so. One of the foundations expecting a decrease in grants explained that this was due to lower returns on capital the previous year because of the financial situation.

**Figure 14: Changes in expenditure on research and innovation compared to the previous year**

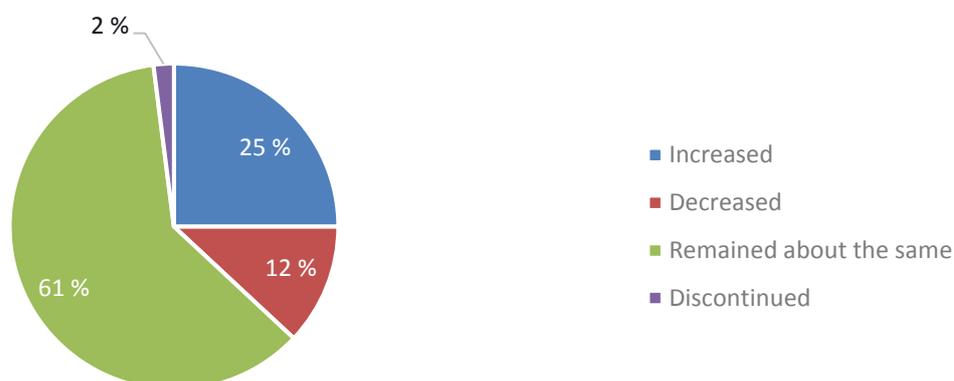
As a percentage of the total number of foundations (N=71)



If we look to the future about 60 % of the respondents said that they did not expect their foundation's expenditure to change for 2013, whereas 25 % believed that it would increase and 12 % believed it would decrease. On the whole, this would indicate, based on the sample of this study, that there will be no dramatic changes in the funding of foundations in research and innovation in Sweden in the coming years.

**Figure 15: Changes in expenditure on research and innovation; expectations for the following year**

As a percentage of the total number of foundations (N=51)



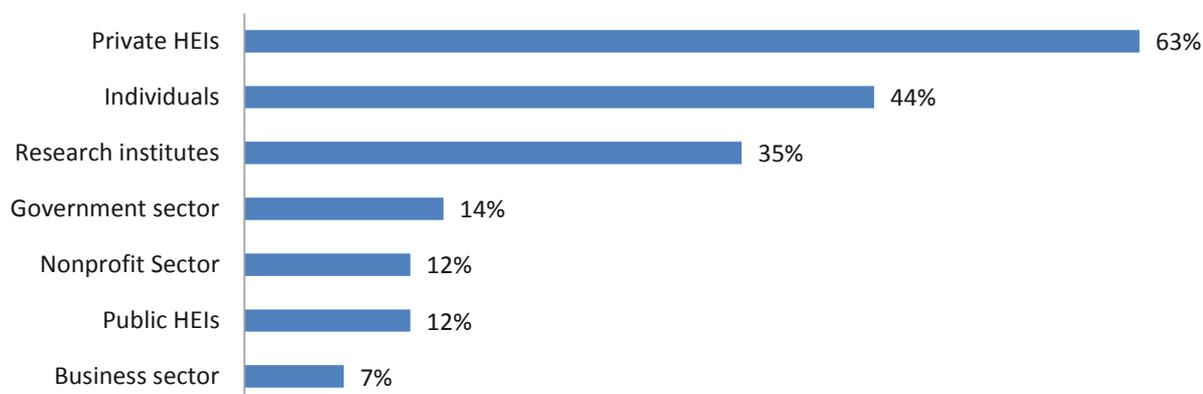
## 3.4 Focus of support

### 3.4.1 Beneficiaries

If we analyse the group of recipients of grants for research and innovation from the foundations in the sample we can notice that the majority of the grants go to universities and individual researchers (who probably are attached to universities but receive economic support in the form of scholarships). It is interesting to note that a large portion of the grants are directed towards research institutes, but it is difficult to know which of them are connected to universities and which are independent. It is also interesting to note that 14 % goes to actors in the public or government sector, 12 % goes to the nonprofit sector and 7 % goes to the business sector. But overall it seems that the majority of the grants goes to organisations or individuals in the (primarily public) university system.

**Figure 16: Beneficiaries**

As a percentage of the total number of foundations, multiple answers possible  
(N=43)

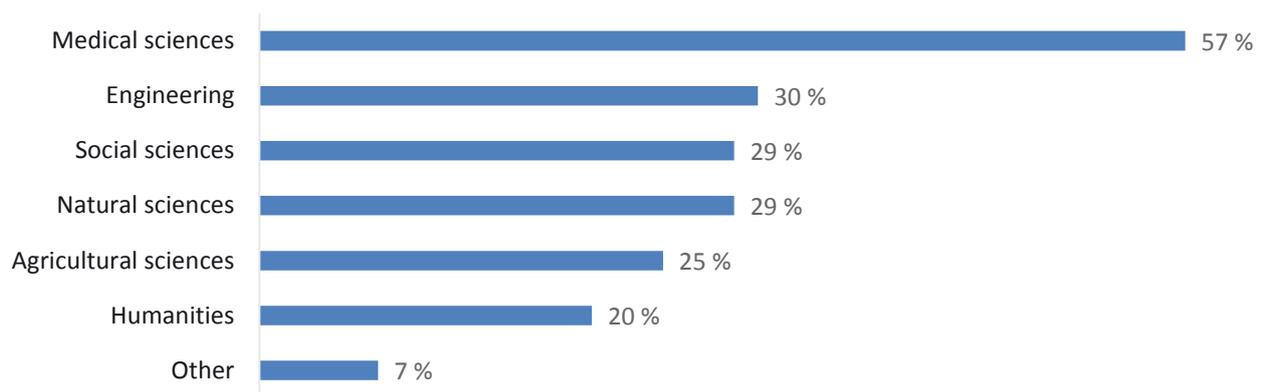


### 3.4.2 Research areas

What areas of research do the foundations in our sample support? If we look at the figure below it is clear that the most important field is medical science, which more than half (57 %) of the foundations in the sample claim to support. The field of medical science is followed by three other fields that around 30 % of the foundations claim to support: engineering, social science and natural science. These are followed by agricultural science with 25 % and the humanities with about 20 %.

### Figure 17: Research areas

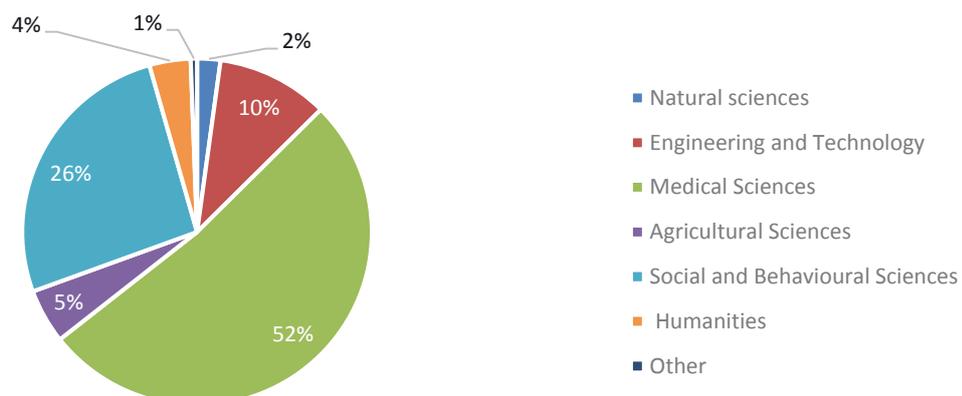
As a percentage of the total number of foundations, multiple answers possible (N=69)



Even if we switch perspective from the number of foundations that support the various fields to the distribution of grants between the different fields, we can see that the majority of the money, a little over 50 %, is also directed towards medical research. This area is followed by money for the social sciences with 26 %, and engineering and technology with about 10 %. The humanities and natural science together receive around 5 % of the grants.

### Figure 18: Research areas

As a percentage of the total known expenditure on research



Expenditure on	Euros
Natural sciences	3 478 000
Engineering and technology	16 686 000
Medical sciences	83 429 000
Agricultural sciences	8 158 000
Social and behavioural sciences	42 116 000
The humanities	6 138 000
Other	945 000
Unknown	274 869 000
<b>Total expenditure on research</b>	<b>435 819 000</b>

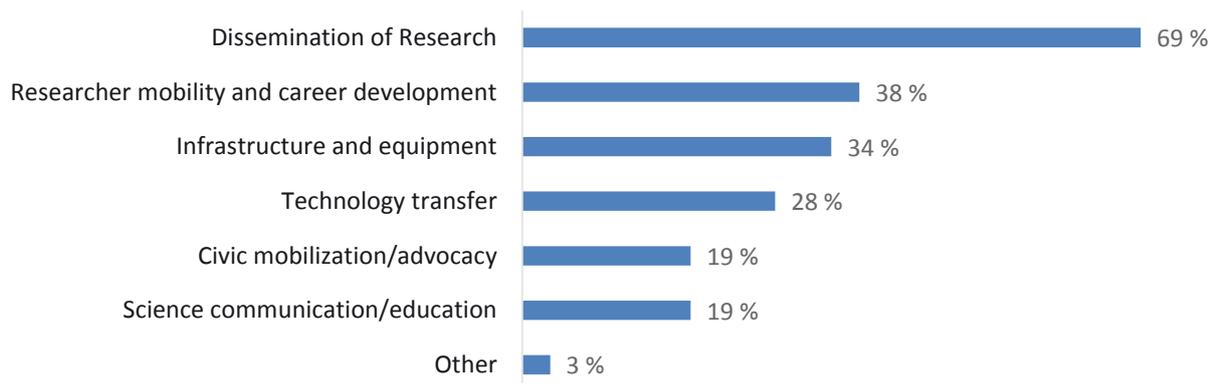
### 3.4.3 Research-related activities

If we proceed and look at what types of research-related activities the foundations in the sample support, we can easily see in the figure below that the most important area is support for the dissemination of research, which around 69 % of the foundations claim to support. Other important areas of support are researcher mobility, technology transfer and infrastructure for research. Only a minority of the respondents stated that their foundation supports science communication or civic advocacy.

**Figure 19: Research-related activities**

As a percentage of the total number of foundations, multiple answers possible

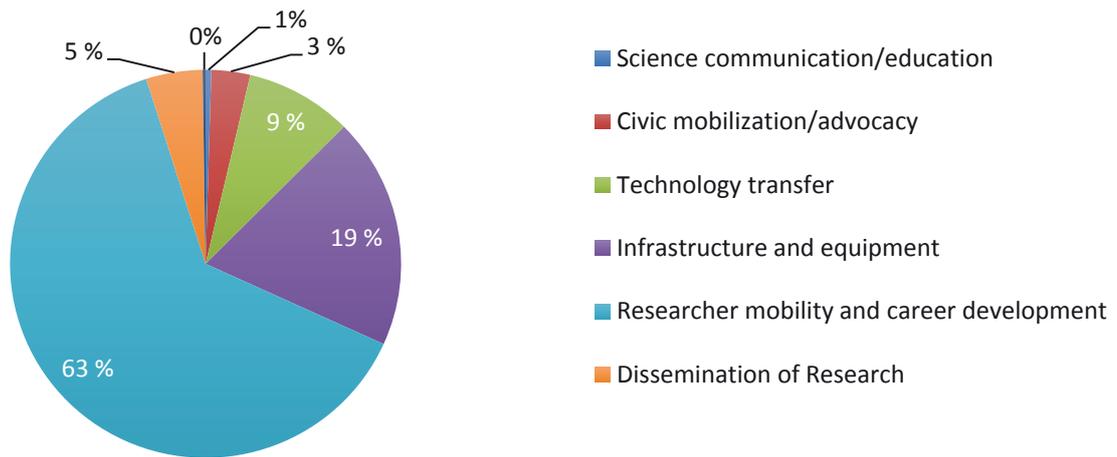
(N=32)



The pattern changes markedly when we look at how the amount of capital is divided between the different research areas. Researcher mobility becomes the most important area with over 60 % of the expenditure, and infrastructure and equipment come in at number two with 19 % of the expenditure. The dissemination of research only receives around 5 % of the total expenditure.

**Figure 20: Research areas**

As a percentage of the total known expenditure on research



Expenditure	Euros
Research mobility and career development	23 550 000
Technology transfer	3 291 000
Infrastructure and equipment	7 165 000
Dissemination of research	1 735 000
Science communication/education	175 000
Civic mobilisation/advocacy	1 193 000
Unspecified	90 000
Unknown	398 620 000
<b>Total expenditures on research</b>	<b>435 819 000</b>

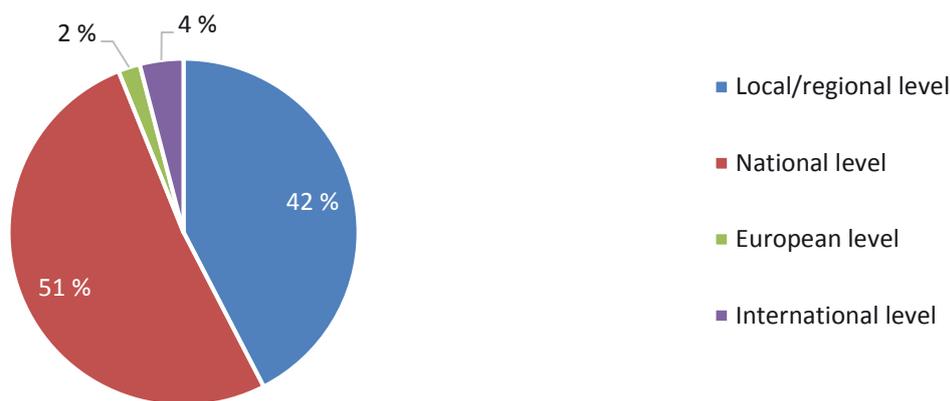
## 3.5 Geographical dimension of activities

### 3.5.1 Geographical focus

The majority of the respondents stated that their foundations focus their support inside Sweden; only 4 % stated that they have activities outside of Sweden. This confirms previous research which showed that the Swedish foundation sector is predominantly focused on national issues (Einarsson 2009; Wijkström and Einarsson 2004). We can also see from our results that there is an even division between foundations that predominantly focus on local and regional initiatives and those that focus on national initiatives.

### Figure 21: Geographical focus of support

As a percentage of the total (known) expenditure on research and/or innovation (N=49)



Geographical level	Euros
Local/regional level	61 183 000
National level	207 172 000
European level	8 872 000
International level	10 211 000
Total expenditure on R&I	287 438 000

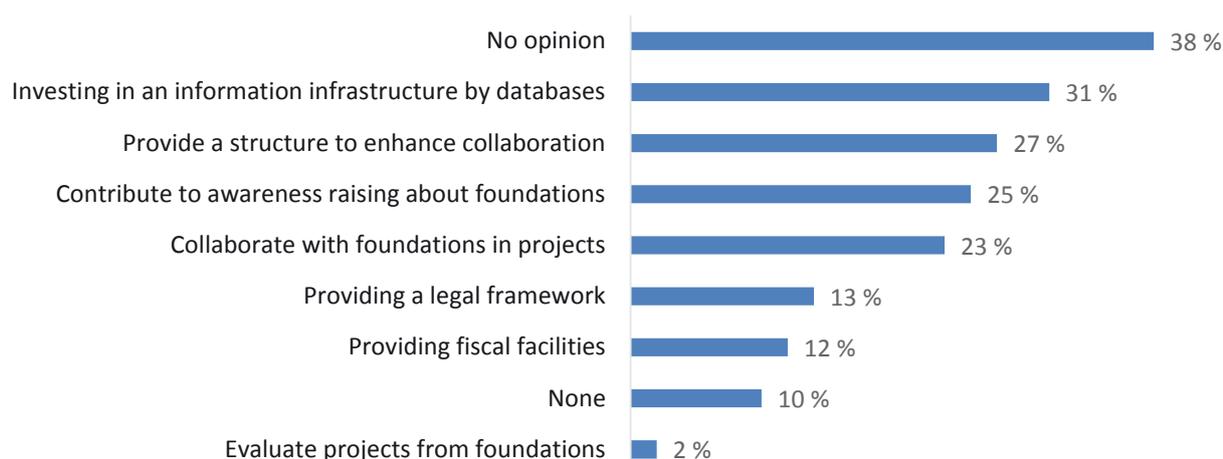
### 3.5.2 The role of the European Union

When asked about which role they believe that the European Union should play in relation to foundations, the majority of respondents argued that the EU should provide infrastructure that supports the work of foundations such as databases and other structures for collaboration. Other areas that they deemed important are contributing to raising awareness about foundations and collaborating with them in projects. Interestingly enough, given the focus on legal and fiscal obstacles on a political level in the European Union, very few of the foundations in the sample stated that they believed an important role for the EU should be to create better legal frameworks and fiscal facilities, thus easing the work of foundations.

Interestingly enough, given the large focus on a EU political level on obstacles against cross-border donations, only one respondent mentioned that there are problems when funding research abroad, and that respondent mentioned legal and fiscal problems.

### Figure 22: Role of the European Union

As a percentage of the total number of foundations, multiple answers possible (N=52)

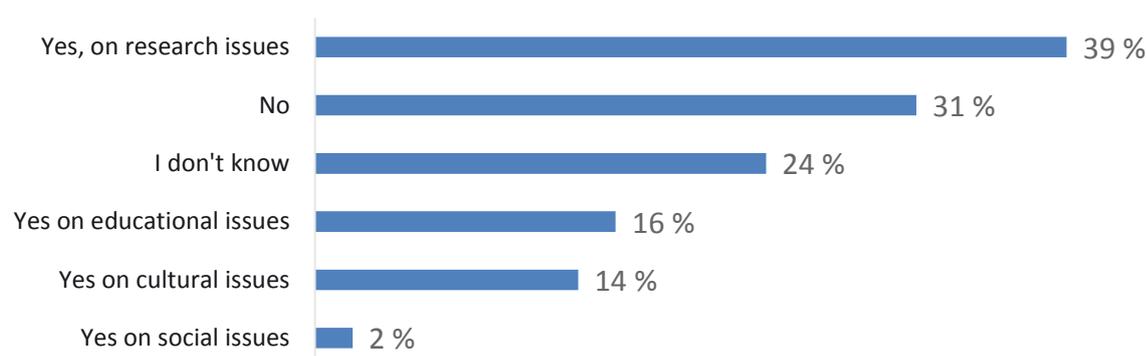


### 3.5.3 Contribution to European integration

When asked if their activities contribute to European integration, a large number of the foundation respondents answered that they did not know. This is not really surprising since the vast majority of foundations in the sample have a Swedish focus in terms of their activities, as discussed earlier. The majority of the respondents stating that they contribute to European integration also stated that they do so through the funding of various research activities. Other ways in which respondents in the sample believed that they contribute to European integration is through educational or cultural efforts.

### Figure 23: Contribution to European integration

As a percentage of the total number of foundations, multiple answers possible (N=51)



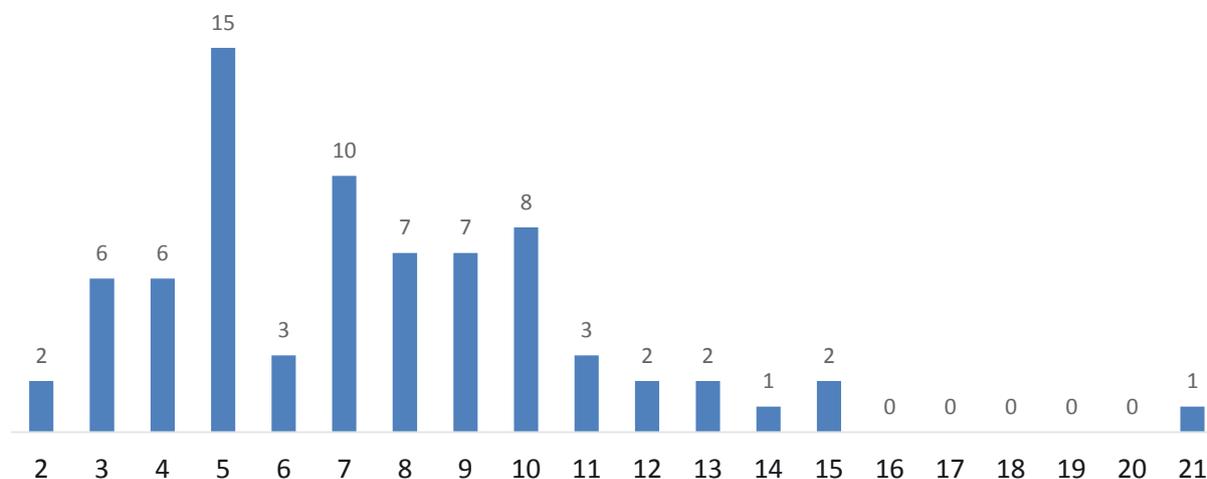
## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundations

When asked about who defines the strategy the vast majority of the respondent's stated that it is the board of the foundation that defines its strategy. Five of the respondents stated that the strategy is defined by the founder of the foundation and five respondents stated that it is another party that defines the strategy. Two respondents chose to name a combination of parties that define the strategy, and both commented that it was the founder in tandem with the board of the foundation.

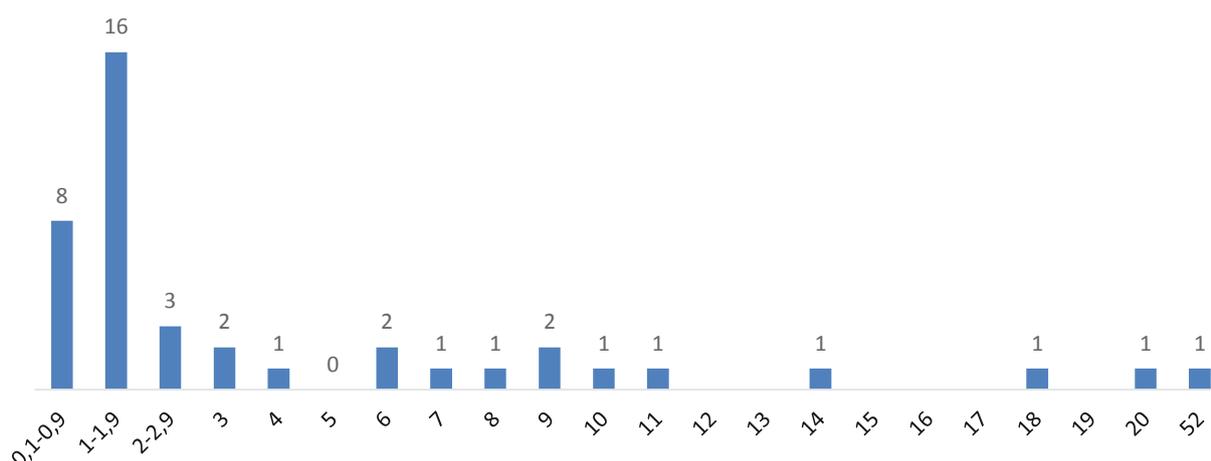
If we look at the number of board members in the foundations in the sample we can see that the average number of board members is 7.4 and the median number is 7. The spread is, however, rather large; there is for instance a foundation in the sample that claimed to have 21 board members.

**Figure 24: Number of board members**



If we look at the number of employees in the foundations in the sample, we can see that the majority of foundations have between 0.1 and 2 employees if they are measured as full-time equivalents (FTE). The average number is 5.3 FTE and the median is 1.5 FTE, which shows the large spread of the number of employees.

**Figure 25: Number of employees**



### 3.6.2 How do grantmaking foundations support research?

Most of the respondents in the survey stated that their foundation mainly gives support on a long-term basis. Looking at the interviews, it seems that this is not mainly a choice to commit to a certain researcher or project, but more of a question of good projects and researchers being able to secure repeated grants more often, although there never is any guarantee. Some of the interviewees said that what the Swedish

research funding system lacks is mainly opportunities for stable long term funding, and this is a niche that foundations should try to fill. This is also evident from the fact that very few foundations have a policy of supporting an organisation only once.

### Figure 26: Daily practices of grantmaking foundations

As a percentage of the total number of foundations



The majority of the respondents in the survey (81 %) stated that they are not involved in the implementation of the projects that they fund.

About half of the respondents stated that they conduct evaluations of the projects that they fund and 95 % of the respondents stated that they demand evidence of how the grants have been spent. In the interviews several respondents made a strict division between evaluating research output and evaluating the financial management of the projects. Whereas the former is seen as something that is more up to the researcher, the latter is seen as very important for the foundation.

If we look at whether foundations prefer to give many small grants or a few larger grants, there seems to be an even distribution between these strategies. One explanation which came up in the interviews is that this might depend on the size of the foundation, where the smaller ones seem to focus on a more diverse portfolio of grants and the larger ones can afford to give larger and longer kinds of support.

There is also an even distribution between those foundations that are more pro-active and those that are more reactive when it comes to calls for proposals.

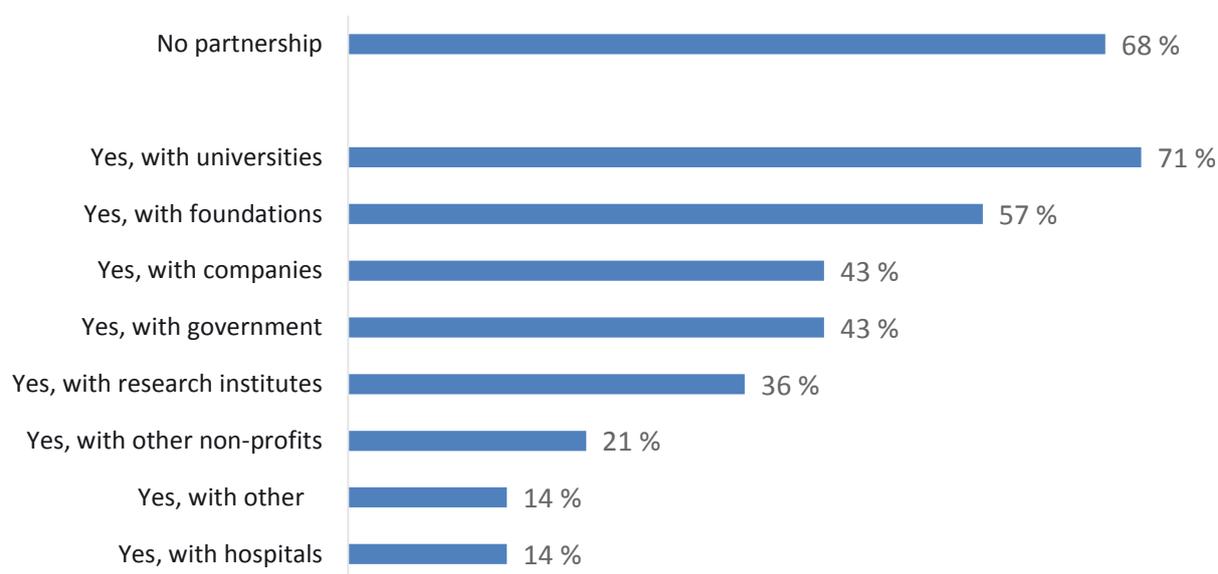
### 3.6.3 Engagement in partnerships

According to the figure below the majority of foundations in the sample do not work as part of partnerships and alliances with other organisations. Those that do, however, tend to have multiple partnerships and also to work quite actively with their partners. The most common type of partner seems to be universities, followed by other foundations.

Universities are the largest partnership group, and according to the interviews these partnerships can either be established directly with individual researchers and research groups, or with universities. The types of partnership with other foundations that were mentioned in the interviews were partnerships in terms of funding, where the foundations pooled their resources or sent applications to each other if they felt the application would be more appropriate for the other foundation, including the sharing of knowledge and best practice, and also sharing people such as evaluators.

**Figure 27: Partnerships**

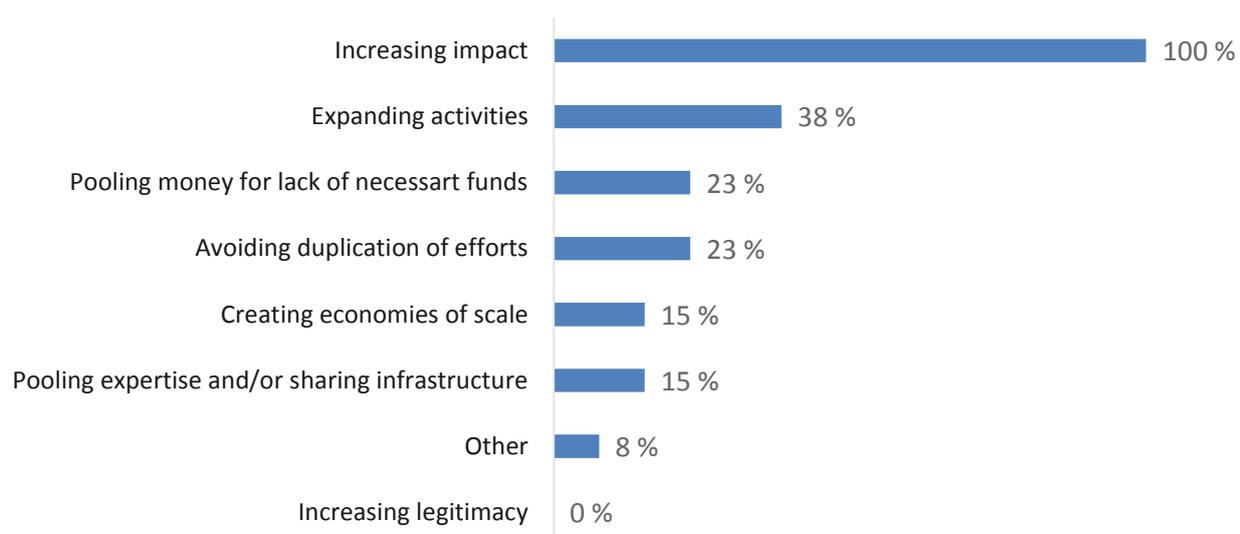
As a percentage of foundations, multiple answers possible



In the table below, we can see that all the respondents answering this particular question stated that one motivation for going into partnership with others is increasing impact. It seems that the main results of this impact are the expansion of activities, the pooling of resources and avoiding the duplication of efforts. Interestingly enough, not one single respondent felt that collaboration with other organisations might increase their legitimacy.

## Figure 28: Motivations for partnership

As a percentage of foundations, multiple answers possible



## 3.7 Roles and motivations

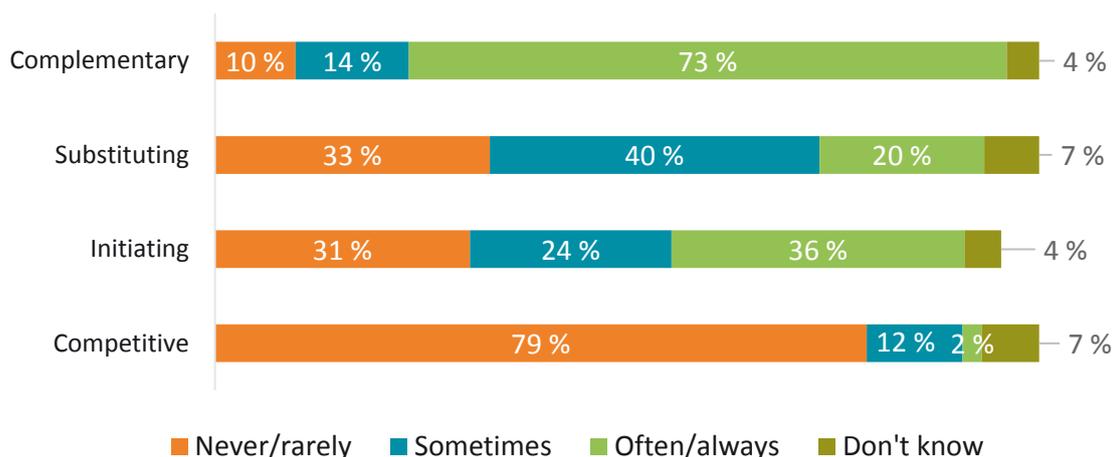
### 3.7.1 Roles

When asked which role they believed their foundation plays in the field of research, the majority of respondents in the sample stated that they believed they play a complementary role towards other players in the field of research and innovation, which is once again consistent with our earlier findings (Wijkström and Einarsson 2004). Other prominent roles mentioned by the respondents in the sample were substitutes for public funding or initiators of research. This is in accordance with previous research on the Swedish foundation sector, where several respondents mentioned these roles as being important for foundations (Anheier and Daly 2007; Wijkström 2007; Wijkström and Einarsson 2004).

In the figure below we can see that the majority of respondents stated that they see their foundation's role in research and innovation as complementary to other players such as business and the government. There were also some respondents that saw themselves as substituting other players, and judging from the interviews this is mainly seen as negative, where some foundation representatives stated that they have to fund activities that were previously funded by a now retreating or withdrawing State.

## Figure 29: Roles of foundations

As a percentage of the total number of foundations according to role



Several of the respondents pointed out to us in the interviews that the reason for foundations supporting research was that the founder(s) had put it in the foundation's charter. Swedish foundations and their boards are bound to act in accordance with the charter. In order to change the charter you need to prove that it is no longer possible (or worthwhile) to achieve the foundation's goals through a lengthy and difficult legal process. According to their point of view it would be more correct to ask why the founder chose to set up a foundation that supports research.

When asked why they thought that research is the most common field of activity for Swedish foundations, several of the respondents said that they believed that the favourable tax treatment of research foundations in combination with research being a prestigious activity was key for the decisions of most of the founders. At the same time, some of the experts commented that there is an irrational fixation with the tax-exempt status in the discussions regarding the creation of foundations. According to this view, other, non-tax related issues, are more important for the founder and the tax-exempt status is just an added incentive. Some of the respondents stated that the personal experiences of the founder often play a vital role in the decision to donate money. A very common reason for creating a foundation that supports medical research is through personal experience from a particular disease; other examples include donations to educational facilities, hospitals and cultural institutions with which the founder has a personal relationship. Another common reason for creating foundations, according to our respondents, is that the founder has no heirs and thus wants their money to be put to a use of their choice.

# 4 Innovative Examples

During the interviews, several interesting innovative practices in Swedish research foundations were uncovered. Below, three examples of these will briefly be discussed.

## Cooperation with other parties

Several of the interviewees stated that their foundation cooperates with other parties such as industry, academia and nonprofit organisations. One example of this cooperation is the MISTRA Future Forests Project, which is conducted in cooperation with the Swedish University of Agricultural Sciences and the forest industry. The foundation and a consortium of companies from the forest industry co-fund the research project, which is conducted by researchers from (mainly) the Swedish University of Agricultural Sciences. In this way the foundation is able to pool more resources, but also to shorten the time it takes for research breakthroughs to be implemented in practice. The project management consists of representatives from the foundation, the university and the industry consortium, but also with representatives from nonprofit organisations active in environmental advocacy and outdoor recreation. By integrating different stakeholder groups, the foundation is able early on in the process to gather and assess a wider variety of view-points on the project and also to improve the degree and speed of implementation. MISTRA has here a clear policy to engage as many relevant stakeholders as possible in their research projects, something which can also be seen in the highly successful project Steel Cycle (Stålkretsloppet).

The Steel Cycle consists of eleven projects which map the way steel is first of all extracted from iron ore in a mine, all the way through to where it finally ends up on the scrap heap, including new steel types and development methods and techniques for making steel production more sustainable. This may comprise aspects such as a higher yield of metals at melting point and lower temperatures during rolling. The project has saved money for the steel industry and reduced carbon emissions, thus helping protect or improve the environment. All this and more have been developed within the research program. The project has resulted in substantial savings in the steel industry. One example is a project for vanadium recovery, which has been shown to provide direct benefits equivalent to EUR 100 million a year just by recycling the vanadium in the slag from Swedish iron ore during the steelmaking process. The project has also resulted in several important patents where the Swedish steel industry gains several EUR 100 million per year. Another effect is that an awareness of environmental values has reached a higher level in companies where the leaders now understand how the steel lifecycle works and have learned to speak the environmental language.

Most of the respondents described their partnership with other organisations in a positive light, even though there seem to be some obstacles. One such obstacle might be that their partners, for instance a research foundation or a corporation, could have different reasons for engaging in their activities. One solution mentioned in the interviews is to be thorough when writing the cooperation agreements, which

is especially important in innovative projects where there might be valuable intellectual property rights to be considered. This complexity is of course compounded further if the funding organisations come from different countries; the trend at the moment seems to be an increase in the numbers of partners on both sides, which makes partnerships more complex but also more fruitful. Innovative research projects are often high-risk projects, which requires a high degree of trust between the partner organisations. One cornerstone in the building of inter-organisational trust is continuity in relations, something that the respondents claimed to be able to do according to our interviews and previous studies (Einarsson 2009; Wijkström and Einarsson 2004).

### **Increasing the exchange between academia and business**

Riksbankens Jubileumsfond has just started a new program called Flexit, which aims to build bridges between research in the humanities and social science on the one hand, and corporations and other organisations outside the academic world on the other. They also aim to facilitate the exchange of knowledge and make contacts so that more organisations outside the university world can see and utilise the skills of PhD graduates in the humanities and social science, thus creating new career paths for academics with PhDs. In this program, this is done by funding positions such as in-house researchers in different organisations, where the positions are a maximum of three years and consists of 75 % research and 25 % employment in the company or organisation. The first two years of employment are linked to the company or organisation and the third year to an academic institution. RJ pays the salaries and other costs associated with the research, while the company or organisation assumes the responsibility for the salaries for the rest of their employment. This project has been running since 2012 and has so far received good internal evaluations.

### **Creating research profiles**

Among the Swedish research foundations, one of the practices that stands out most is the work of the Knowledge Foundation, which has been working with funding for what they define as 'research profiles' at different universities in Sweden. These research profiles are fairly large and concentrated activities, and they can have a budget of up to approximately EUR 4 million. The aim of this foundation is to help establish successful research environments and strategic profiles at universities that are developed together with the local business community. The profile should fit into the long-term strategy of the university, and it should be able to survive on other sources of funding after the profile grant has ceased. In order to help research groups and universities to qualify to apply for such large-scale funding the foundation also has smaller programs aimed at developing the skills of individual researchers and strengthening research groups. To help the planning of the researchers and universities the foundation strives to communicate all their grants and targeted initiatives three years in advance.

Another example is The Vårdal Foundation for Healthcare Science and Allergy Research, which has been instrumental in establishing healthcare science in parallel with classical medical research. The foundation is used to changing perspectives and structures, something it seems well-suited for. This is also the way that the Riksbankens Jubileumsfond works (but on a smaller scale) with what they have termed 'områdesgrupper,' where they identify a new area worthy of research and that has previously been underfinanced

(or understudied). The foundation then appoints a group of scholars and other members of society responsible for developing the identified area of research. One group normally works for five to six years, and there are usually around three such groups active at the same time.

# 5 Conclusions

## Main conclusions

The Swedish foundation population has developed through several more or less distinct phases. From a focus on education and scholarships promoted by the foundations established during the period before 1800, to a heavier emphasis on foundations in the field of social services during the 50-year period from 1800 to 1850, to the second part of the 19th century and onwards, when research foundations dominated the arena, as identified in our earlier work (Wijkström and Einarsson 2004). In order to understand the historical development of the foundation sector, a couple of other and more specific historical developments must be brought to the fore: namely the emergence and politics of the Swedish welfare state and the strength and dominance of the popular movement tradition in Swedish civil society (Wijkström 2012). Moreover, it is important to make a distinction between an earlier and historically strong philanthropic tradition or culture in the country – to a large degree abandoned, counteracted or at least downplayed in the welfare-state era of the 1900s – and the continued practice of establishing foundations, carried on also by public sector bodies in the previous century, but not necessarily in a philanthropic spirit (for a more thorough historical description of the Swedish foundation sector, see Wijkström and Einarsson 2004).

Foundations have played a number of important roles in the Swedish system of research and higher education for a long time, and they have been especially important funders of expensive equipment and buildings. They have of course also been important funders and initiators of individual research projects and programs. But overall they have primarily filled the role of complementing the activities of the State and of corporations; according to our respondents this has especially been the case since the 1950s, when State-funded research started to expand. This could be described as a historical avant-garde role, gradually changing into a role of complementing the State or public sector (Wijkström Einarsson 2004; Sörilin 2005d). Several of the respondents interviewed in the project stated that foundations should function as complements to traditional research funding (from the State or business), but they claimed that more recent developments in the field of research have unfortunately forced foundations into a substitutive role. One interesting reflection is that since (Swedish) foundations are so tightly bound by their original charters, they have no option but to fill a substitutive role in their given field if the other players in that field choose to withdraw (see also Wijkström and Einarsson 2004; Wijkström 2007; Einarsson 2009, for a similar analysis).

One recent major change in the research field, described well in the book 'I absoluta frontlinjen,' edited by Sverker Sörilin (2005a), is the creation of the wage-earner fund foundations, which, according to Sörilin, can be seen as the starting point of the transformation of the research field into an increased concentration of resources and a differentiation between universities. Here, foundations are used as a tool in the transformation of the field from being governed by the academic values of basic research into more applied research with strategic importance from an economic standpoint (Benner 2005a). But at the same

time it is important to remember that the wage-earner fund foundations represent a very small part of the total research budget of universities; around 5 % (Sörlin 2005c). This development has also met with resistance from the existing system and the change has not been as great as its instigators might have hoped for. To sum up, the wage-earner funds have been important for individual projects, individual researchers and universities, but they have not yet had a major impact on the research field and can be more fairly seen as an incremental small-scale agent of change in a fairly stable system (Benner 2005b; Sörlin 2005b).

Swedish research foundations have historically played an important role in the Swedish research field, and they most probably still have an important role to fill, even though they are not by any means the main funders of Swedish research. It is rather through their special organisational and institutional character that they are able to increase the pluralism of the models and methods within the wider system of research and education. This is especially true for some of the larger foundations which over time have developed a more distinctive character through which they have been able to bring more pluralism and possibly also a different form of risk-taking to the field (Sörlin 2005a).

From the results of the survey, we notice that the overwhelming majority of the respondents classified their foundations as pure research foundations and only a minority would agree that their foundations also engage in innovation. More than 90 % of the respondents classified their foundations as grantmaking, and less than 10 % as operating and/or mixed foundations. This result is well in line with what we know about the Swedish foundation sector in general, where the vast majority of foundations are registered as grantmaking foundations. This is even more pronounced when it comes to the larger foundations active in the field of research (Einarsson and Wijkström, Forthcoming; Wijkström and Einarsson 2004).

The majority of the foundation representatives in the sample (consisting of the 125 largest research foundations and an additional 100 smaller research foundations) stated that their particular foundation had been established by private individuals or families, closely followed by being established by for-profit corporations or nonprofit organisations. This indicates that the majority of foundations in the sample were established through non-public money. If we look at the creation of research foundations we can see a steadily increasing trend in the number of foundations established up to the year 2000, when there is a large dip to a lower level that still seems to remain to this day.

The size of capital and the size of income of the foundations in the sample varies a lot, a pattern that is also reflected in the wider Swedish foundation sector, where a number of very large players dominate the field in terms of the size of their capital and grants, but where there also exists a very large number of smaller foundations providing a wealth of alternative models and different approaches in various niches in the field. The dominating source of income is a return on endowed capital where almost 70 % of the representatives in the sample stated that the foundations they represent earn income from an endowment. This pattern also holds true when we analyse the sources of income as a percentage of the total income of the surveyed foundations. About 69 % of all the foundations' income in the studied population comes from income from an endowment. The second largest source of income is income from fees and sales, which stand for 19 % of the total income, followed by donation from individuals, which stands for 9 % of

the income. This picture, that research foundations' income is dominated by income from endowments, confirms what we already know about Swedish foundations being dominated by endowed foundations. It is, however, also interesting to note that as much as 19 % of the income is generated through activities run by the foundations such as service fees and sales.

Around half of the respondents stated in our interviews that their foundations were created in perpetuity, and that they could therefore only use the proceeds in order to maintain their endowment, whereas about 40 % of the respondents stated that they were able to use their capital at the discretion of the board, and around 10% of the respondents stated that the foundations were created as spend-down foundations. The main area of support by foundations in the sample is medical science, which almost 60 % of the foundations in the sample support, according to our respondents. The field of medical science is followed by three other fields, which together are supported by around 30 % of the foundations: engineering, social science and natural science. These are followed by agricultural science with 25 % and the humanities with about 20 %. If we instead study the distribution of grants between the different fields we can see that the majority of the money, a little over 50 %, still goes to medical research. This area is followed by social science with 26 % and engineering and technology with about 10 %. The humanities and natural science then together receive around 5 % of the grants. Independently of how we look at the numbers, the number of foundations or the total volume of grants, medical science is the by far the largest area of support.

If we look at what types of research-related activity the foundations in the sample engage in, we notice that the most important area is support for the dissemination of research findings, which around 69 % of our respondents claimed that their foundation supports. Other important areas of support are researcher mobility, technology transfer and the creation and support of an infrastructure for research. This pattern changes markedly when we look at how the amount of capital is divided between the different research areas. In that case, researcher mobility becomes the most important area, with more than 60 % of the expenditure; infrastructure and equipment is the second most important area with 19 % of the total expenditure. The dissemination of research only receives around 5 % of the total expenditure of foundations. The majority of foundation representatives in the sample stated that their support primarily goes inside Sweden, and only 4 % claimed that their foundation takes part in any activities outside Sweden. This confirms previous research which showed that the Swedish foundation sector is predominantly focused on national issues (Einarsson 2009; Wijkström and Einarsson 2004).

About half of respondents stated that their foundation's expenditure has remained the same since 2011; 30 % stated that it has increased and 24 % stated that their expenditure has decreased. The main reasons given for increasing expenditure are the positive developments in the stock market and the increased return of capital. The representative of one foundation also mentioned that they had saved funds in order to be able to finance a larger project the following year. Another one pointed out that it was the development of the stock market that made it possible to grant large amounts of funds and that the many good applications made it important to do so. For one of the foundations expecting a decrease in grants, the respondents explained that this was due to lower returns on capital the previous year due to the financial situation. When looking to the future, about 60 % of the respondents said that they did not expect their expenditure to change in 2013, whereas 25 % believed that it would increase and 12 % believed it would

decrease. On the whole, this would indicate, based on the samples in this study, that there will be no dramatic changes in foundations' funding of research and innovation in Sweden in the coming years.

## The strengths and weakness of the R&I foundation sector in Sweden

The Swedish foundation sector contains a large number of important research foundations which act as important funders of expensive equipment and buildings but which are also prominent as funders and initiators of individual research projects. Through their distinct legal status, research foundations are, according to our respondents, able to identify important areas for research, to quickly allocate resources to these areas and at the same time to act as enduring funding partners. This stability and endurance, coupled with an ability to increase pluralism in the field of research funding, is one of the main organisational and institutional strengths of foundations as funders. This could be the added value that makes foundations suited, for example, for the task of identifying and establishing new research areas. Their endurance and stability may also allow foundations to develop their own identities and their own roles in the research field over time. This is one of the characteristics of foundations which, on this level, could enable them to create pluralism in, for instance, the field of research and higher education. But to be able to actually achieve this places high demands on foundations and their boards and management to develop their own distinctive character and strategy and not get caught in what is seen as fashionable research at the time. The particular possible role of foundations in the research system might thus partly be described as being innovative through being conservative; in other cases they are just adding more resources to already existing fields of research.

One interesting reflection is that since (Swedish) foundations are so tightly bound by their original charters they have no option but to fill a substitutive role in their given field if the other players in the field, for example in the public or state sector or the corporate world, choose to withdraw or change their orientation. This characteristic, which above was seen as a strength, can of course also be seen as a weakness whereby a foundation might be forced to assume responsibilities that earlier were seen to be those of other players. To be able to carry out this type of analysis we need to assume a fairly long-term perspective and also to analyse the field as a whole rather than individual cases.

If we study the creation of research foundations we notice an steadily increasing trend in the number of research foundations established up until the year 2000, after which there is a substantial dip to a lower level which seems to remain to this day. If we look at the foundation sector as a whole, and not only research foundations, we cannot find a corresponding dip for this period. This decrease in the creation of research foundations might indicate a future problem for the sector since an influx of new foundations with new purposes and strategies might be seen as one of the prerequisites for the foundation sector to fulfill the identified role of bringing pluralism, innovative methods and dynamics to the field of research and higher education.

At the same time it seems that the already created research foundations are financially sound and fairly stable. Almost 70 % of the foundation respondents stated that their main source of income is return on endowed capital, and the majority of those respondents also stated that their foundations were set up

and created in perpetuity. In combination with the fact that the majority of the respondents seemed confident that their expenditure on research will not change or increase, this seems to indicate a situation in which there will be no dramatic change in the foundation funding of research and innovation in Sweden in the coming years.

## Recommendations

According to the current survey the majority of research foundations in the sample do not work in partnership or alliances with other organisations. However, those that do tend to have multiple partnerships and also to work quite actively with their partners. The most common partner seems to be universities followed by other foundations. The main motivation for these partnerships, according to the survey, is increasing impact. The main ways for increasing that impact are the expansion of activities, help with the pooling of resources and avoiding the duplication of efforts. It therefore seems there is room for increasing the impact of foundations in the field of research through increasing cooperation and partnerships between foundations, and also between foundations and other organisations.

Our empirical material indicates that foundations are able to independently identify important areas for research, to quickly allocate resources towards these areas and at the same time to act as an enduring funding partner. One example of this type of 'added value' could be a foundation that moves into a specific type of research which it has identified as being underfunded, for example research on a special medical diagnosis, and thus by focusing its efforts can have a large impact. This flexibility coupled with endurance is one of the distinctive organisational and institutional characteristics of foundations enabling them to increase pluralism in research. We can also see that foundations are able to innovate and experiment with different tools and methods for supporting research, something which further strengthens their function as innovators in this field. Examples of this can be innovative ways of identifying new research areas, new ways of funding research or new ways of creating collaborations and partnerships.

There might be a considerable risk, from the perspective of the particular role as an alternative model or practice identified in this report, that foundations by imitating the heavier and more influential public sector research councils might become players behaving just like any of the others in the field, therefore failing to add pluralism to the system. There might of course be a lot to learn from how the public sector research councils work (or from the R&D departments of large corporations), but foundations should, in our view, at the same time act as a complement to the regular structure of the research field and also try to leverage the strengths of the organisational and institutional distinctiveness of their organisational form.

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Switzerland Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Georg von Schnurbein  
Tizian Fritz

Research and  
innovation



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# 1 Contextual Background

Switzerland is a country with a large foundation sector. Among the reasons for this development one can name the long history of foundation activities and the liberal foundation law that allows a high degree of differentiation with only a few but important restrictions. Although Switzerland is a country with a dominant State funding of research institutions and has no noteworthy private research institutions, the private support for research has grown consistently.

## 1.1 Historical background

The oldest foundations in Switzerland date back to the 13th century and had a close relationship with church activities and institutions. These foundations were set up to finance the clergy's position, to maintain church buildings or to support social services such as hospitals, poorhouses and orphanages (Riemer 1981). Besides these clerical foundations, the oldest foundations based on secular law were also established during the middle ages. The most remarkable example is the 'Inselspital' Foundation in Berne. It was founded in 1354 by a lady called Anna Seiler to support thirteen sick people. Today, the Inselspital Foundation is one of the largest hospitals in Switzerland and is still a foundation. The third historical important type of foundation is the so-called family foundation that was established to support family members in need. In particular, the noble families in larger cities such as Berne and Zurich set up these social back-ups for themselves (von Schnurbein 2009).

All these early foundations were situated in the nearby surroundings of the founder and were usually set up based on a legacy and not while the founder was still alive. From a legal perspective, the development of the modern foundation starts with the codification of the first foundation law in 1835 in the canton of Zurich, which is at the same time the oldest foundation law in the German language (Riemer 1981). The first federal foundation law was established in 1912 as part of the Civil Code and was – in respect to charitable foundations – not changed until 2006. But the number of foundations remained negligible until the middle of the 20th century. The existence of foundations is usually a result of political stability and private wealth (Anheier and Daly 2007). With the growth of private wealth from the 1980s onwards, the number of new foundations also increased. These are the reasons why the Swiss foundation sector grew steadily from the 1950s onwards, as the country based on its political neutrality developed its role as a financial safe haven and experienced economic growth. Not surprisingly, many Swiss foundations are set up by foreigners (Purtschert et al. 2007).

During the last twenty years, the foundation sector has gained new attention from politicians and the general public. First, the enormous growth of the sector created an industry around the foundations, including associations, consultancies and research centres. Second, a debate on a revision to the foundation law started in 1993, and was finalised in the revision of 2006. Since then, further attempts to change the foundation law have been undertaken. Finally, the idea of what a foundation looks like has developed and

new forms of foundation such as umbrella foundations or spend-down foundations have become popular. Before 1835, Basel had the only university in Switzerland, founded in 1460. Thus, the oldest research-funding foundations are connected to this university. In 1747 the Frey-Grynaeische Institut was established by Johann Ludwig Frey, a professor of theology, in remembrance of his colleague Johannes Grynaeus. The foundation is active until today, although the initial capital has disappeared. In the aftermath of a regional conflict in 1833, the University of Basel was nearly closed. This was prevented by the foundation of the 'Freie Akademische Gesellschaft (FAG)' in 1835. This association collected, and has collected until today, funds to support the university as well as financing new infrastructure, professorships and grants for students. Today, several foundations are located under the umbrella of the FAG. In other cities and regions in Switzerland the support for research and innovation through private institutions developed along with the establishment of universities from the 1830s onwards. Thus, the support for research and innovation has a long tradition in Switzerland, closely connected to the citizens' will to create higher education institutions in their hometowns.

## 1.2 The foundation landscape

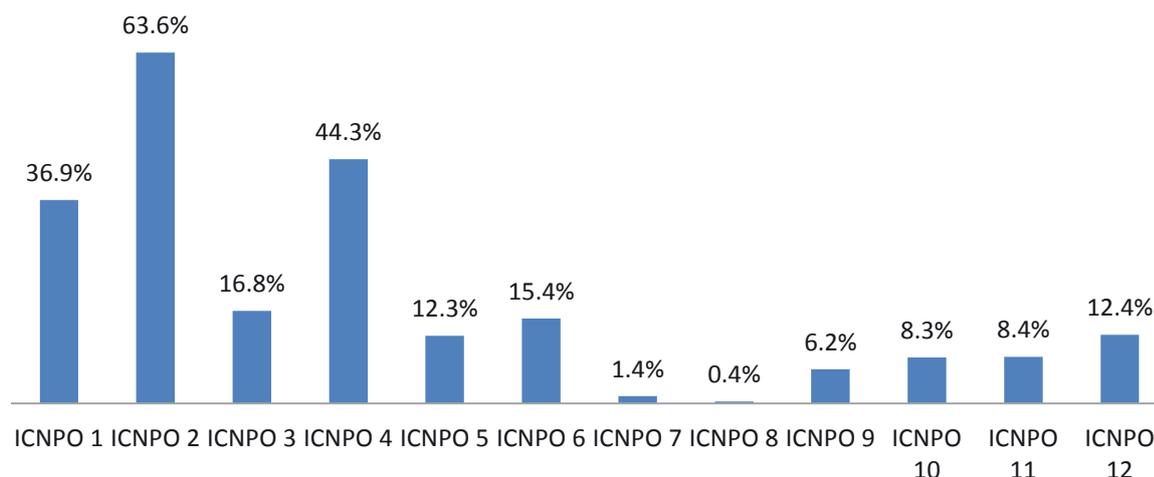
The Swiss foundations sector is going through a phase of continuous and vibrant growth. Over half of the 12 957 charitable foundations (end of 2012) have been established since 1990. In 2012, a total of 376 foundations were created. However, 135 foundations were liquidated in the same year (Eckhardt et al. 2013). This highlights the existing problems that foundations face due to the financial crisis, and the low revenue from their interests as most foundations are obliged to keep hold of their assets. Based on the Swiss law, a foundation is a legal entity that can be used for many purposes. Thus, one third of charitable foundations work as charities, and two thirds can be classified as grantmaking foundations.

Although most Swiss foundations are set up by individuals, the largest foundations today were established by international institutions. The so called 'G'-foundations (the Global fund to fight Aids, Tuberculosis and Malaria, the Global Alliance for Vaccination and Immunization (GAVI) and GAIN) are all based in Geneva and collect money from States as well as private individuals and organisations. The largest of these supra-national foundations is the Global Fund with a total of USD 29.9 billion (EUR 23 billion) funds raised since 2002. In general, Swiss foundations are much smaller and only few receive annual donations of USD 10 million (EUR 7.7 million) and more.

The most important fields of activity are health and social services (ICNPO 3 and 4 combined), culture and recreation (ICNPO 1), and research and education (ICNPO 2). Each of these fields makes up over a third of foundations, including double counts as Swiss foundations are not restricted to one field of activity. Other purposes such as the environment (ICNPO 5), housing (ICNPO 6) or international relations (ICNPO 9) are of significantly less importance (below 20 % each). For a complete overview see Figure 1. The number of foundations supporting research has increased over the past few decades. At the end of 2010, 18.8 % of all charitable foundations had research and innovation funding as (part of) their purpose (von Schnurbein and Fritz 2014).

**Figure 1: Swiss foundations according to field of activity (ICNPO) 2013.**

As a percentage of total number of foundations (N=12 909), multiple answers possible



Due to the lack of the obligation to publish any data, knowledge about the potential of Swiss foundations is negligible. Based on a survey by the State authorities, the total amount of assets can be estimated as CHF 70 billion (EUR 58 billion EUR) (Eckhardt et al. 2012). Their annual spending is around CHF 1.5 to 2 billion CHF (EUR 1.2 to 1.7 billion EUR). Compared to other countries, this is a rather low percentage, because there are no regulations controlling distribution (except the fact that thesaurus foundations are forbidden).

In Swiss foundations there is a total of 145 423 employees (latest figures from 2008), most of them working in operative foundations, e.g. social service organisations, hospitals etc. The number of collaborators in grantmaking foundations is rather small, because traditionally these foundations restrict their activities to the distribution of funds only (von Schnurbein 2010). Recently, some larger foundations have developed into more active and operative foundations with their own projects or programs.

In Switzerland, two associations serve as umbrella organisations for foundations. First, proFonds acts as an association for charitable foundations and associations with an emphasis on lobbying and legal advice. It was created in 1988 and consists of around 400 members today. Second, SwissFoundations is an association of grantmaking foundations with an emphasis on the exchange of knowledge, cooperation and sector development. It was created in 2001 and has around 110 members. Compared to the total number of foundations, both associations are relatively small. However, SwissFoundations includes some of the largest foundations in Switzerland.

### 1.3 The legal and fiscal framework

A foundation in Switzerland is a legal type based on Art. 80 ZGB (Swiss Civil Code). Art. 80 ZGB states that the establishment of a foundation requires assets being dedicated to a special purpose. Thus, the foundation is an independent pool of assets that has its own legal status (Jakob and Huber 2010). For the sake of clarity, the following legal aspects will focus on charitable foundations that pursue a public purpose and are tax exempt. As an international comparison, Swiss Foundation Law can be described as liberal.

The founder is generally free to determine the purpose of the foundation, and the assets of the foundation can be of a very diverse nature (property, cash, intellectual rights, securities of receivables etc.), and there is no minimum value given in the law. However, the State supervisory authorities recommend an initial capital of at least CHF 30 000 (EUR 25 000) on a cantonal level, and CHF 50 000 (EUR 41 000) on a federal level. In order to conclude its formation, the foundation has to be registered on the commercial register (art. 52 para. 1 and art. 81 para. 2 ZGB). Once up and running, the organisation of a charitable foundation can be very simple. There has to be at least one governing body and the founder can set up regulations in writing to provide for the organisation of the foundation in more detail (Jakob et al. 2009). Usually the foundation board is supposed to work voluntarily, whereas other roles or the management may be remunerated. However, in recent years, the question of remuneration for the board has gained more attention, both in research and practice (Müller and Zöbeli 2012; Lichtsteiner and Lutz 2008). Since a revision to the law in 2006, foundations are obliged to select an external auditor (exceptions for small foundations exist). Finally, all charitable foundations are under the supervision of a State authority. Depending on their geographical range of activities, foundations with local or regional purposes are under cantonal supervision, whereas foundations with national or international purpose are under federal supervision (Sprecher and von Salis-Lütolf 1999).

Apart from the liberal and broadly defined rights of the founder, Swiss Foundation Law gives some few clear regulations that hinder self-enrichment and tax-abuse. First, the most important rule is that assets, once given to a foundation, cannot be retransferred to the founder. Second, the overall purpose of a charitable foundation cannot be changed. If there are compelling reasons, it is the supervisory authority's decision and not that of the founder or the board. Since the revised law was adopted in 2006, 'the founder himself may request a change of the foundation's purpose provided that the founder reserved this right in the foundation deed, that at least ten years have passed since the foundation was formed or the last change was implemented, and that the foundation preserves a nonprofit purpose (and therefore keeps its tax exemption)' (Jakob et al. 2009: 13). Finally, a foundation, once set up, is legally independent from the founder. Thus, it is bound to the will of the founder articulated in the deed and lasts in perpetuity. However, due to experiences during the past few years because of decreasing income, the idea of spend-down foundations or terminated funds has gained attention in Switzerland (Egger 2013).

In addition to the legal requirements, the industry itself has developed guidelines for self-regulation. The most prominent ones are the Swiss Foundation Code and the accounting standard Swiss GAAP FER 21. The Swiss Foundation Code (Sprecher et al. 2009) is directed towards grantmaking foundations and offers best practice recommendations on the formation, organisation and financial asset management of foundations. Swiss GAAP FER 21 was initially established as an accounting standard for fundraising charities in 2003, but has gained greater acceptance across the nonprofit sector ever since (Egger et al. 2011). In combination with the legal obligation for an external auditor, this accounting standard has resulted in a higher transparency and better quality of accounting reports of Swiss foundations.

Foundations with a charitable purpose benefit from tax exemptions. Two major criteria determine the charitable status of an organisation: the promotion of a general public interest and disinterestedness. The definition of 'public interest' is not restricted to specific areas or purposes, but is defined by the public

opinion (Jakob et al. 2009). In that sense, a public benefit may include charitable, humanitarian, health promoting, ecological, educational, scientific and cultural activities. Disinterestedness is defined by the fact that the chosen purpose does not coincide with the economic or personal interests of the founder. Tax deductions are allowed for voluntary contributions to tax exempted organisations (Jakob et al. 2009). Charitable donations, as well as personal contributions in kind of CHF 100 000 (EUR 83 000) or more per fiscal year, are deductible from income, whereas the maximum deductible is 20 % of taxable income minus certain expenditure (art. 26-33 DBG resp. art. 33a DBG). As a consequence of the Swiss federal system, the regulations for tax exemption differ from canton to canton. Although the majority follow the national rate of 20 %, some are lower (5-10 %), and one exception allows a tax deduction of 100 %; for example, the charitable gift is totally deductible from the taxable income.

## 1.4 Research/innovation funding in Switzerland

Research and innovation funding in Switzerland can be divided into three major sources: State funding, corporate R&D investments and private donations. In Table 1 the different funding sources and their contributions to research and development are displayed. In total, EUR 15 billion (CHF 16.3 billion) was spent on research and development in 2008, which is 2.87 % of the GDP. State funding by the federal government and the cantons is predominantly directed towards public universities. The major distributors of competitive research funding are the Swiss National Sciences Foundation (SNSF), with an annual budget of EUR 600 million (CHF 755 million), and the Commission for Technology and Innovation (CTI) with an expenditure of EUR 110 million (CHF 146 million) in 2012. The largest amount of funding for research and development is spent by private companies. However, the vast majority of this money (CHF 10.8 billion – EUR 8.9 billion) goes to corporate R&D entities. Only EUR 216 million (CHF 270 million) goes to public universities. Finally, regarding research support by private nonprofit institutions only estimations exist. The national statistic mentions EUR 208 million (CHF 260 million). However, this estimation might be too low and a consequence of the low reporting standards for foundations and other nonprofits on their expenditure.

Despite the fact that most of the funding comes from a few corporate and State sources, the Swiss system of research and innovation is very well funded. This becomes apparent when looking at the international rankings for universities. With six of the 12 universities among the best 150 universities worldwide, <sup>[1]</sup> Switzerland has the highest proportion of top universities, with 40 % of students enrolled at one of these institutions.

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1 Source: Times Higher Education World University Ranking 2013-2014: <http://www.timeshighereducation.co.uk/world-university-rankings/2013-14/world-ranking>

**Table 1: Funding sources of research and development in Switzerland (2008)<sup>2</sup>**

Source	Swiss Francs	Euros	Percentage
Federal government	2 355 000	1 884 000	14.5
Cantons	1 370 000	1 096 000	8.3
State total	3 725 000	2 980 000	22.8
Companies	11 115 000	8 892 000	68.2
Nonprofits	260 000	208 000	1.6
Other sources	230 000	184 000	1.4
Foreign countries	970 000	776 000	6.0
Total	16 300 000	13 040 000	100

[2]

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2 Source: Bundesamt für Statistik.

## 2. Data Collection

As a consequence of the liberal legal settings described in Chapter 1, the data available on Swiss foundations are very limited. Only recently have systematic and annual statistics on foundations been developed, based on the available public data (von Schnurbein 2010; Eckhardt et al. 2013). Thus, the primary aim for this study was to first conduct a complete list of all foundations active in research and innovation, and afterwards to collect more detailed information by approaching the foundations directly.

### 2.1 The identification of foundations supporting R&I

As all charitable foundations have to be registered on the register of commerce, we used a database with all the registered charitable foundations as a starting point (von Schnurbein 2010). This database included all registered charitable foundations at the end of 2010 and contained 12 288 foundations. In the following, the written purposes of the foundations on the register were searched for using previously selected codings. The codings were selected in the three major national languages (German, French, Italian).<sup>[3]</sup> Then, following a case-by-case analysis, any irrelevant foundations were eliminated, and the remaining foundations were classified based on the written purposes according to type of support, fields of research supported, geographical range and a differentiation between grantmaking and operative foundations. This process led to a total of 2 305 charitable foundations (see Table 2.1). Thus, 18.8% of all charitable foundations in Switzerland have a purpose that includes research and innovation as a focus (but not exclusively). For the rest of the sample, some initial figures offer a more detailed picture of foundations' composition. 54.8 % of the foundations are restricted by their written deeds to activities within Switzerland (or parts of it) and 45.2 % have an international scope. However, only 29.4 % of the foundations are dedicated to one institution, and the rest have no direct affiliation to one university or institution.

In order to follow the guidelines for an international comparative study, we excluded from our survey those foundations that serve as a legal entity for an institution (e.g. student accommodation, research institute, museum etc.), because they cannot be classified as supporting research (these institutions could choose another legal form without changes in their activities). Finally, the basis for this survey was a sample of 1 992 foundations involved in research and innovation funding.

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3 The codings included: Universität, Forschung, Wissenschaft, Fachhochschule, Université, Recherche, Science, Haute Ecole, Università, Ricerca, Scienza, \*logie. Terms such as 'innovation' were not used as they are too broad for such an analysis.

**Table 2: Foundations supporting research and innovation in Switzerland (N=2305), multiple answers allowed, 2010**

Type of foundation	Frequency	Percentage of the total sample
Grantmaking	1 689	73.3
Operative	430	18.7
Governing body	362	15.7
Research areas supported		
Medical science	856	37.1
The humanities	600	26.0
Natural science	435	18.9
Economic science	103	4.5
Theology	62	2.7
Legal science	49	2.1
Not defined	531	23.0
Type of support		
Research	1 672	72.5
Teaching	821	35.6
Dissemination	357	15.5
Continuous formation	219	9.5
Support for young academics	187	8.1
Awards	162	7.0
Other	700	30.4

## 2.2 The survey

On the register of commerce only the postal addresses of organisations are available. Thus, we decided to send a postal invitation letter to participate in the online survey. In the letter, the link to the questionnaire, as well as a contact email address in order to send the link via mail, were provided. The initial mailing list included 1 992 foundations. 170 letters were returned as being non-deliverable, either due to a change of address or the liquidation of the foundation. In order to increase the response rate, a second invitation letter was sent out to a total of 1 903 foundations, excluding the undeliverable ones and those that had already answered. Finally, we focused on the larger foundations in the sample that had not yet completed the questionnaire and called them by phone in order to invite them personally. To those that were available, we sent an email with the link to both the long and the short versions of the questionnaire. Finally, the survey was answered by 295 foundations (14.81 % response rate – or 15.6 % when calculated on the basis of the 1 822 foundations that actually received our letters). With regard to the question as to whether this sample could be regarded as being representative, different factors have to be taken into consideration.

Given the previously mentioned characteristics in Table 2 (type of foundation, research areas supported and type of support) and the results in Chapter 3, operative foundations are over-represented, while the share of grantmaking foundations matches the basic population. The results from the survey with respect to the research areas supported cannot be easily compared, as a breakdown of the basic population does not include the same categories. However, medical science and the humanities in both the sample and the basic population still came first and second. For the same reason, the type of support cannot be easily compared either. For similar categories the sample seems to differ from the basic population, as dissemination was only covered by 16 % in the basic population, but by 77 % in our sample; however, teaching came fairly close at 36 % (basic population) and 37 % (sample). To sum up, the sample gives a mixed picture as far as representativeness is concerned. We still believe that with our sample covering an annual expenditure exceeding EUR 526 million (compared to an estimated total of EUR 1.46 billion for the whole Swiss foundation sector <sup>[4]</sup>) this study includes a reasonable amount of data, which can be used as an appropriate basis for mainly quantitative analyses.

## 2.3 The interviews

In addition to the quantitative part of this study, we conducted interviews with foundations active in the field of R&I. The aim of these interviews was to show how foundations pursue their goals and successfully realise innovative projects on an individual basis. We chose two foundations that within the last couple of years have made headlines with successful, but at the beginning also risky, projects. The semi-structured interviews focused on four topics: project selection, motivation, role of innovation, and results. Chapter 4 therefore serves as a qualitative complement to the previous chapters. As the quantitative part of this study is quite extensive, we did not aim at gathering a vast spectrum of different foundations and projects for the interviews. We rather focused on specifically choosing interview partners with a renowned record of successful and innovative projects, and therefore being able to show in more detail what factors can be key to successful private, philanthropic funding in the field of R&I.

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4 Based on a total of CHF 70 billion in assets (Eckhardt et al. 2013), an estimated disbursement rate of 2.5 % (von Schnurbein 2009) and with an exchange rate EUR/CHF of 1.2.

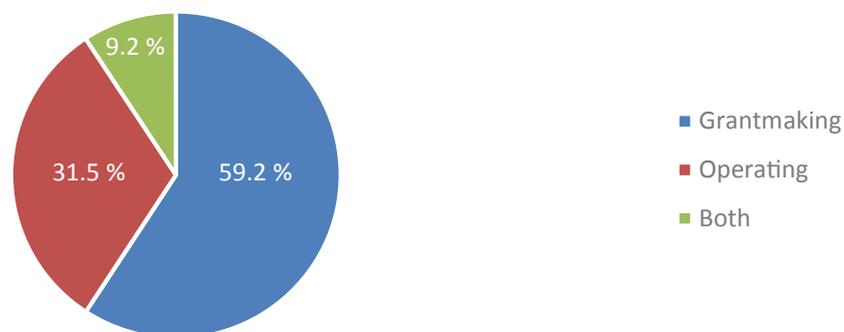
# 3 Results

Given the large number of responding foundations, the results presented below are thus based on a quantitative analysis. Wherever possible the presented results are compared to previous studies, as well as linked to existing research on the Swiss foundation sector and its characteristics.

## 3.1 Types of foundation

The majority of the Swiss foundations taking part in this survey and which (partly) support R&I are purely active as grantmaking organisations (59.2 %), whereas 31.5 % describe themselves as ‘operating.’ This leaves 9.2 % of the 184 participating foundations as hybrid forms of operating and grantmaking foundations (see Figure 2). Given previous Swiss studies (Hertig and von Schnurbein 2013, Purtschert and von Schnurbein 2006) determining the foundation type, the total number of purely operating and hybrid foundations (40.7 %) is relatively high, as the former studies showed percentages of around 23 % and 33 %, respectively. It is, however, not clear if this was caused by the selection of foundations according to field of activity or for any other reason.

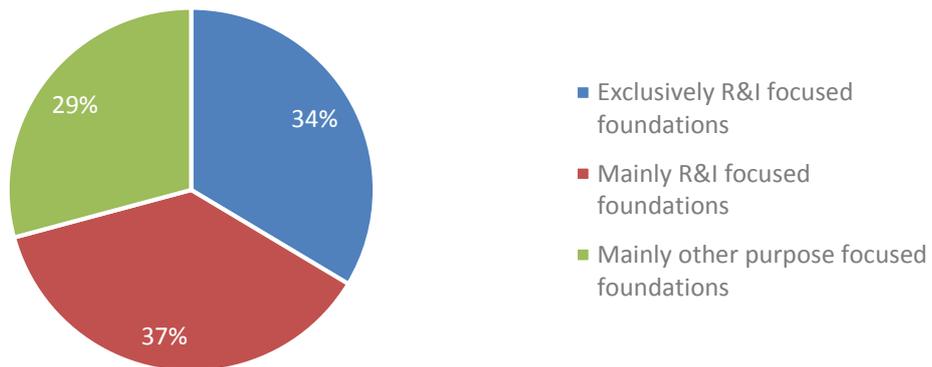
**Figure 2: Types of foundations; grantmaking vs operating**  
As a percentage of total number of foundations (N=184)



Out of the 113 foundations who gave full information about the usage of their expenditure, 34 % were exclusively engaged in R&I, while another 37 % were mainly active in R&I. The remaining 29 % indicated that they use the majority of their expenditure for other purposes, hence R&I is not their primary activity with regard to the amount of money spent (see Figure 2). When asked if their foundation was active either in research or innovation, the majority answered research (55 %), while a third indicated both research and innovation. Only 7 % focus their activities on innovation alone (see Figure 4)

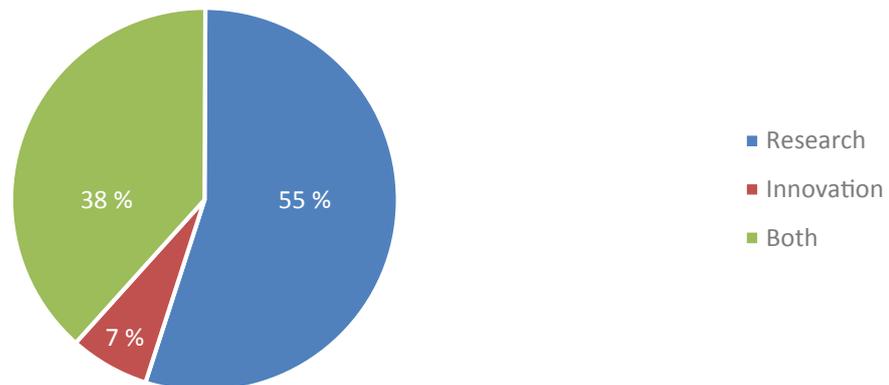
**Figure 3: Types of foundation according to purpose**

As a percentage of total number of foundations (N=113)



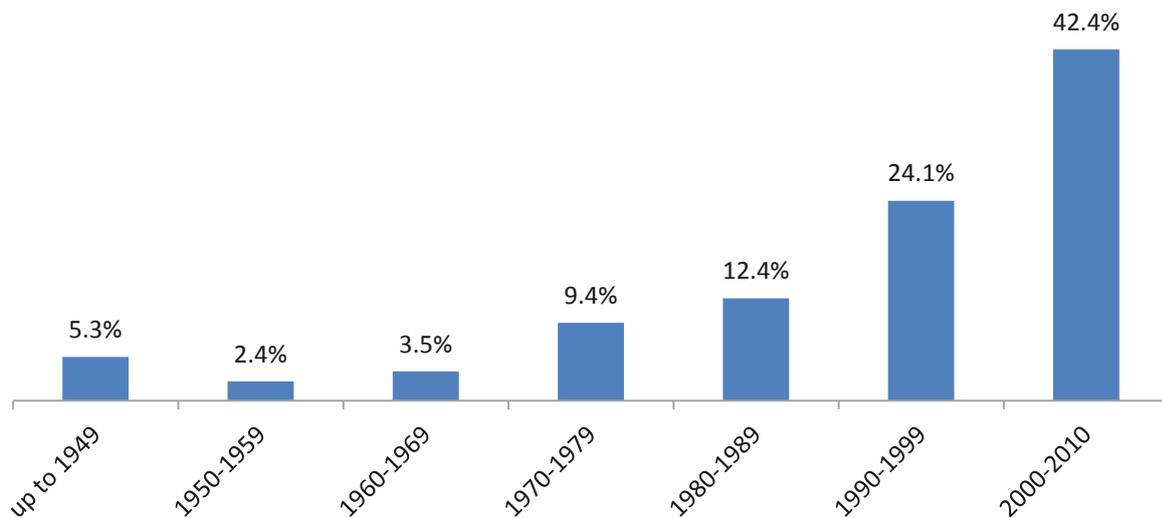
**Figure 4: Types of foundation; research and/or innovation**

As a percentage of the total number of foundations (N=195)



Grouping the participating foundations according to their age created a well-known pattern, which is in line with the annually published reports on the Swiss foundations sector (e.g. Eckhardt et al. 2013). As already mentioned in Chapter 1, they show that despite the Swiss foundation sector being very old, the majority of foundations were established in 2000 or later. A quick look at Figure 5 shows very similar results. The median year of establishment is 1999, 49.4 % were established in 2000 or later, while the oldest foundation is 166 years old (founded in 1848).

**Figure 5: Types of foundation according to year of establishment**  
 Number of foundations by decade (N=169)



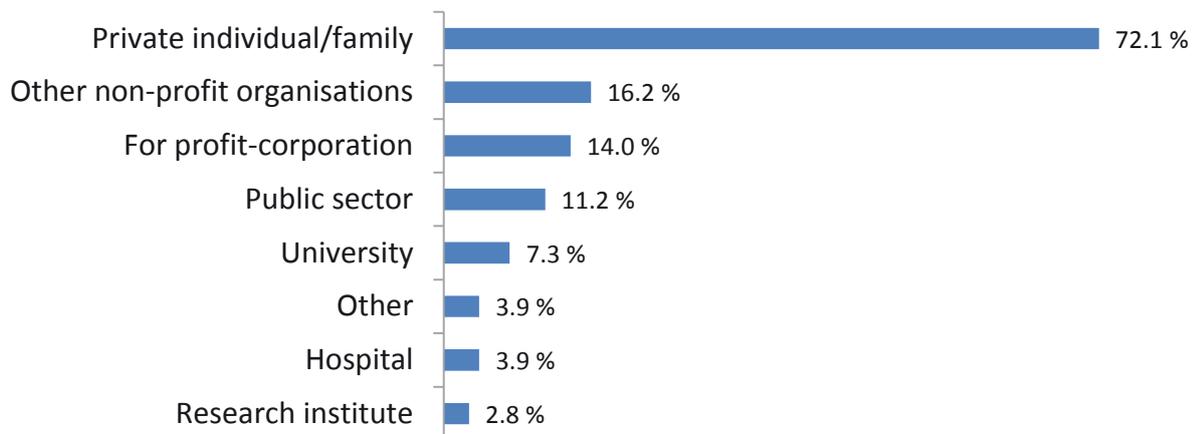
## 3.2 Origins of funds

### 3.2.1 Financial founders

When characterising the participating foundations according to their financial founder (multiple answers possible), the vast majority were initially (partly) set up and financed by either private individuals or families (72.1 % of the 179 foundations). Other, although significantly less important, founders include other nonprofit organisations (16.2 %), for profit organisations (14.0 %) and the public sector (11.2 %) – see Figure 6.

**Figure 6: Financial founders**

As a percentage of the total number of foundations, multiple answers possible (N=179)



### 3.2.2 Income

As with most distributions of income, the Pareto principle <sup>[5]</sup> also applies to the Swiss foundations covered in this study: a total of 123 foundations combining a total of EUR 590 million of income, while the biggest foundation alone generates more than EUR 231 million . The average income of the responding foundations is EUR 4.8 million, while the median of EUR 202 000 reveals the imbalance of the income distribution. For a complete overview of the distribution of income, see Table 3 and Figure 7.

As a ‘classical’ Swiss grant making foundation is usually based upon an initial and single act of asset donation, it is not surprising that the main sources of income for a total of 172 foundations is their own endowments (67.4 %), while only roughly a third (35.5 %) rely (partially) on donations from individuals. Although only 16.9 % of the responding foundations generate their income from service fees and sales, 44.4 % of the total amount of income originates in this category. Again, this is due to the biggest foundation in our sample. The largest sources of income in terms of the median amount are income from the government (EUR 298 000), service fees and sales (EUR 248 000), and donations from corporations (EUR 150 000) – see Table 3 and Figures 8 and 9.

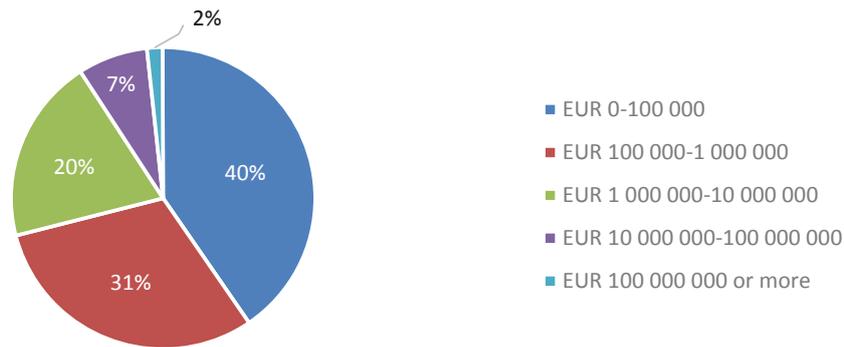
**Table 3: Sources of income**

Sources of income	Amount in Euros
Endowments	94 095 284
Donations from individuals	34 419 080
Donations from for-profit companies	98 175 679
Donations from other nonprofit organisations	5 327 989
The government	37 866 420
Service fees, sales etc.	237 736 288
Other	27 914 654
Unknown	55 173 089
<b>Total income</b>	<b>590 708 845</b>

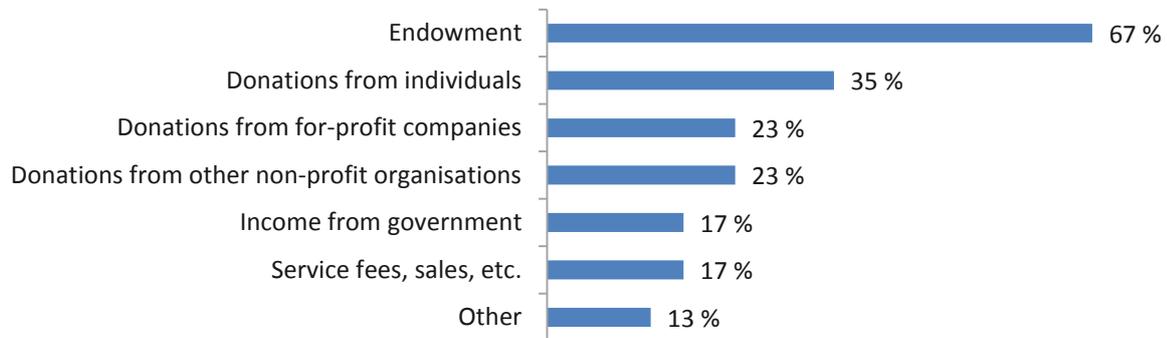
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5 Meaning that a majority of assets or capital are held by a very small group of individuals, as showed by Vilfredo Pareto. The Pareto principle commonly known as “80-20-rule” gives this relation as 80% of something is owned or caused by 20% of the relevant population.

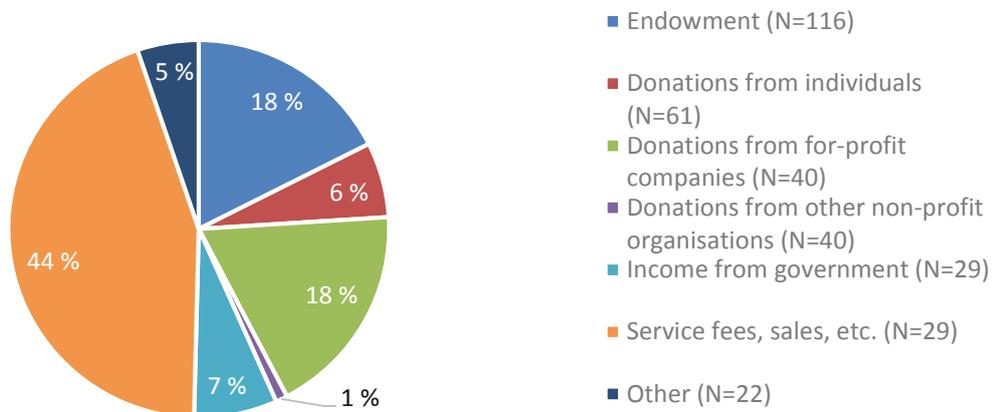
**Figure 7: Total income according to category in Euros, 2012**  
As a percentage of the total number of foundations (N=121)



**Figure 8: Sources of income**  
As a percentage of the total number of foundations (N=172)



**Figure 9: Sources of income**  
As a percentage of total (known) income



### 3.2.3 Assets

The same pattern of skewed distribution (as seen above) can be observed in the distribution of the total assets disclosed by a total number of 115 foundations. The sum of all their assets is EUR 2 942 million, which accounts for roughly 5 % of the estimated total of assets held by Swiss foundations (Eckhardt et

al. 2013). While the biggest foundation in our survey again holds more than EUR 900 million, the median foundation holds assets of EUR 714 000, which is well below the average of EUR 26 million in this sample. For a complete overview of income and asset distribution please refer to Tables 4 and 5, and Figures 10 and 11 below.

**Table 4: Distribution of income and assets (in Euros)**

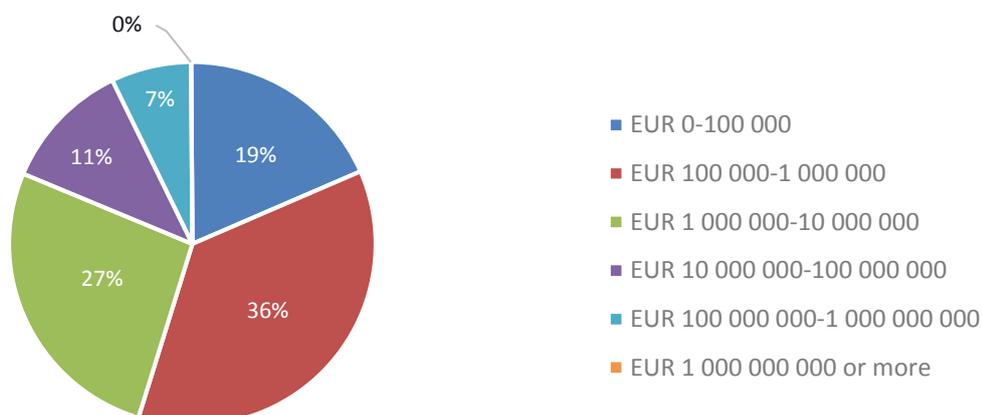
	Income (N=123)	Assets (N=115)
Minimum	-15 117	146
Maximum	231 404 959	909 090 909
Q1	31 529	165 909
Average	4 802 508	25 809 924
Median	202 479	714 876
Q3	1 404 959	3 578 462
Total	590 708 485	2 942 331 298

**Table 5: Asset allocation**

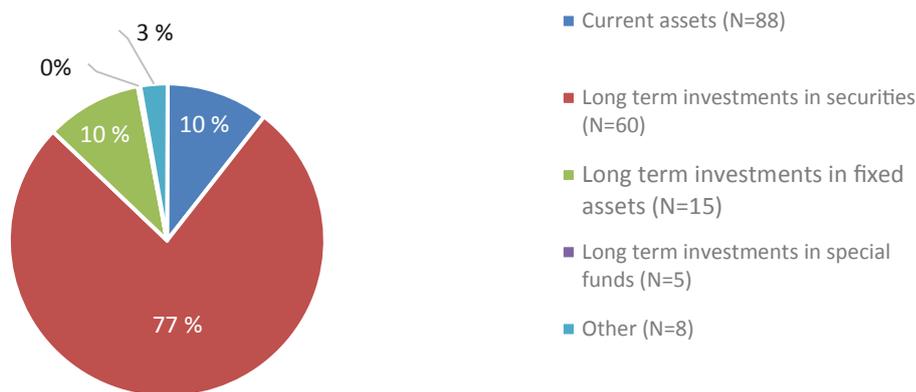
Distribution of assets	Assets in Euros
Current assets	192 211 185
Long-term invested assets – securities	1 409 357 642
Long-term invested assets – fixed assets	180 934 815
Long-term invested assets – special funds	4 574 249
Other	51 233 927
Unknown	1 104 019 479
Total assets	2 942 331 298

**Figure 10: Total assets according to category in Euros, 2012**

As a percentage of total number of foundations (N=113)



**Figure 11: Distribution of assets**  
As a percentage of total (known) assets



### 3.3 Expenditure

#### 3.3.1 Total expenditure

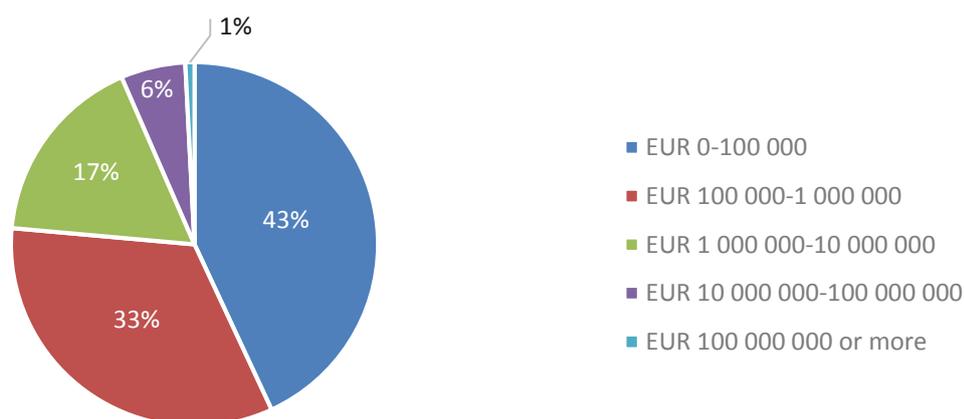
Given the previously mentioned EUR 590 million of income generated by 123 foundations, 126 foundations indicated how much they distribute. The total expenditure represented in our survey (EUR 526 million) accounts for almost 90% of the previously mentioned income. While a single foundation distributes more than EUR 231 million alone, the median foundation distributes roughly EUR 148 000. An imbalance can also be observed here, as the average expenditure is over EUR 4 million – see the table below and Figure 12.

On average, the majority of this expenditure goes to research (54.3 %) while less than 10 % goes to innovation. However, when calculated according to the portion of the absolute expenditure, almost 61 % is spent on other purposes, while only 31 % goes to research, and a mere 8 % to innovation (see Figure 13). This again has to do with the biggest foundation in our sample, which allocates EUR 223 million to ‘other purposes.’ Due to missing data (see Table 5), 5 % cannot be allocated.

Statistics expenditure	
Number of foundations	126
Mean in Euros	4 245 866
Median in Euros	147 934
Research	155 058 072
Innovation	40 462 185
Other purposes	302 681 334
Unknown	28 285 814
<b>Total expenditure</b>	<b>526 487 404</b>

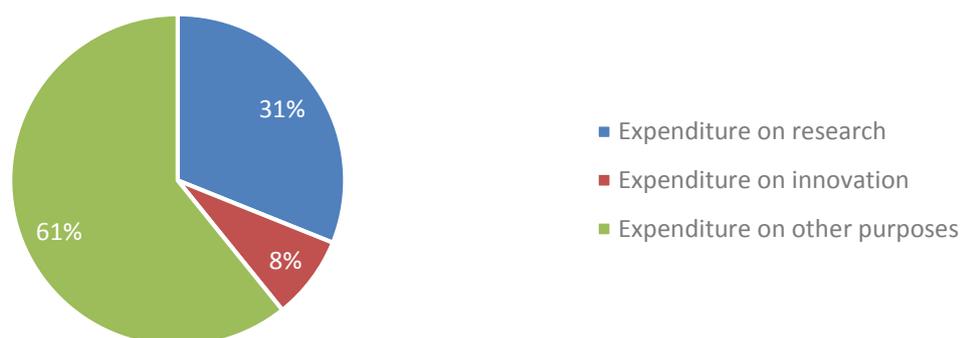
**Figure 12: Total expenditure according to category in Euros, 2012**

As a percentage of total number of foundations (N=123)



**Figure 13: Distribution of total expenditure; research, innovation and/or other purposes**

As a percentage of total known expenditure (N=122)



When excluding the biggest foundation from the dataset, the distribution to research now stands at 51 %, innovation at 13 % and other purposes at 26 %, while the remaining portion of 9 % cannot be allocated due to missing data. This dominance of research-oriented foundations might be due to the selection process of foundations, as described in Section 2.1. However, as there are no previous studies on this exact distinction of foundation activities, one can only speculate.

### 3.3.2 Research

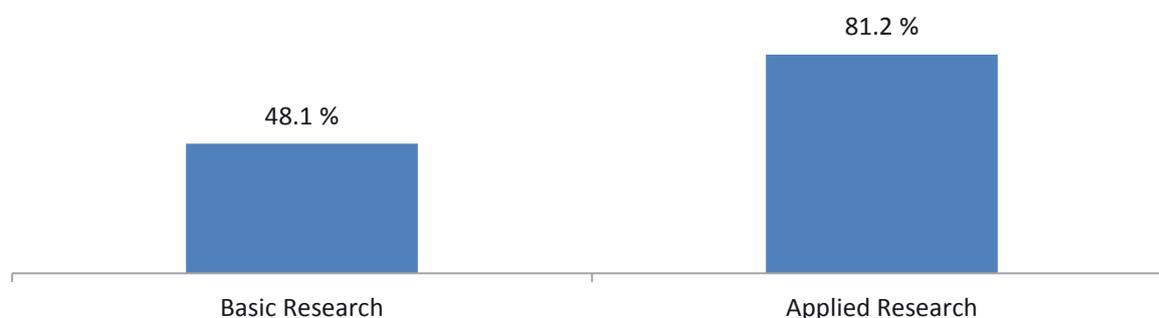
While over 80 % of 133 foundations indicated that they are active in supporting applied research and less than 50 % in basic research (see Figure 14), this inequality even increases when looking at how much money is actually spent in these two categories (46 % on applied research and 21 % on basic research) – see Table 6 below, which also includes a discrimination between direct and research-related activities. Please note that both breakdowns include the value ‘unknown,’ as the sum of expenditure was collected from a different source.

**Table 6: Distribution of expenditure on research**

Distribution	Amount in Euros	Percentage
Direct research (N=82)	67 659 831	44 %
Research related (N=74)	44 928 394	29 %
Unknown	42 469 846	27 %
Basic research (N=78)	32 567 862	21 %
Applied research (N=108)	70 566 332	56 %
Unknown	51 923 878	33 %
<b>Total expenditure</b>	<b>155 058 072</b>	<b>100 %</b>

**Figure 14: Distribution of expenditure on research, basic vs applied**

As a percentage of the total number of foundations (N=133)



Taking a closer look at how the money is spent within the category of research reveals that out of 113 foundations (only those who declared how 100 % of their funds were distributed are included in this analysis) more than 70 % of their expenditure is actually being used in terms of grants, while roughly a quarter of their expenditure goes to operating costs. Other costs/reasons account for less than 3 %.

### 3.3.3 Innovation

There is a different picture when looking at the use of funds declared as expenditure on innovation. First, a significantly lower number of foundations are to be found in this subsample (N=38). Second, the distribution sees more funds going to their own operating costs (43.6 %) and to other purposes (8.2 %), while grants make up a much smaller portion (48.1 %) than previously seen in research. This circumstance, however, can be explained by the different portion of operating foundations in this subsample. While only 31.9 % of the foundations supporting research are purely operating, this number goes up to 50 % when looking at those supporting innovation.

### 3.3.4 Changes in expenditure

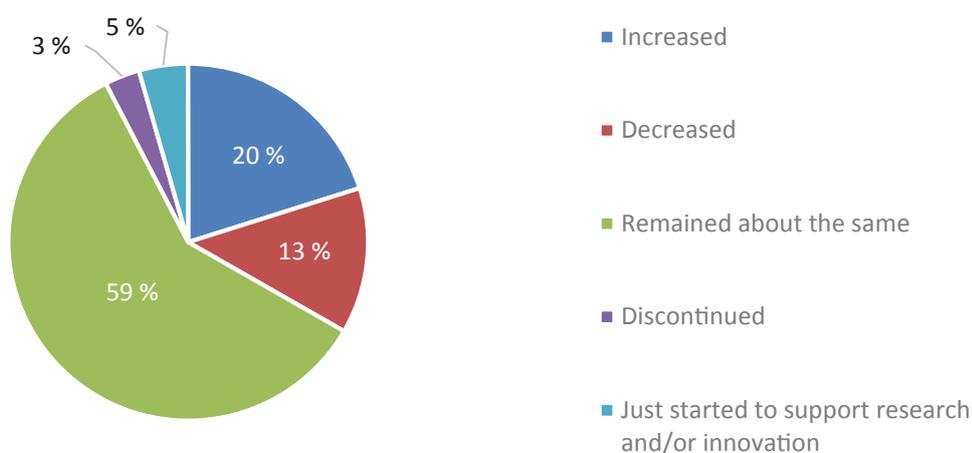
When taking a look at how expenditure changed compared to the previous year, 2012 seems to have been a good year for foundations in Switzerland. A total of 79.2 % of the 159 participating foundations indicated that their expenditure either remained stable or even increased (20.1 %). Only 13.2 % said they had seen

lower expenditure than the year before. An additional 3.1 % discontinued their support, while 4.4 % had just started spending money, and therefore were not able to compare their activities to the previous year – for an overview see Figure 15. The average increase in expenditure was slightly over 30 %, while those foundations which decreased their expenditure did so on average with a sharp drop of over -40 %.

Also, when making forecasts about the following year’s expenditure, this positive view seemed to persist. The majority of 67.9 % out of 156 foundations aimed at keeping their expenditure at the same level, while another 18.6 % even aimed at increasing it. Only a small portion of these foundations were forced to decrease their expenditure (10.3 %) or even discontinue their support (3.2%) – for an overview please refer to Figure 16.

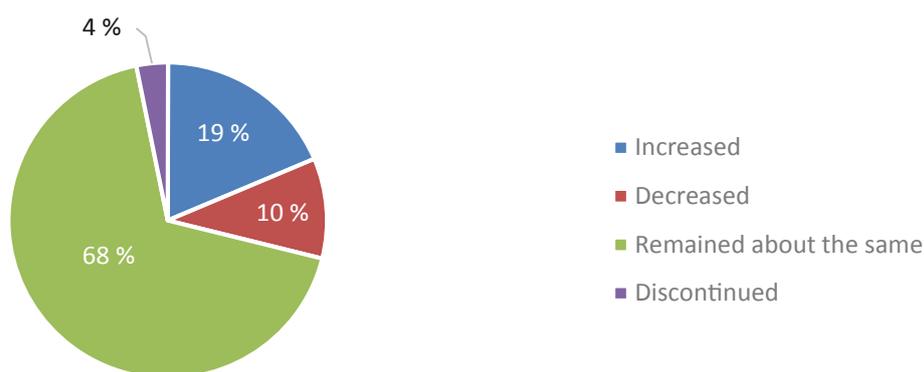
**Figure 15: Changes in expenditure on research compared to previous year**

As a percentage of the total number of foundations (N=159)



**Figure 16: Changes in expenditure on research and innovation, expectations for the following year**

As a percentage of the total number of foundations (N=156)



## 3.4 Focus of support

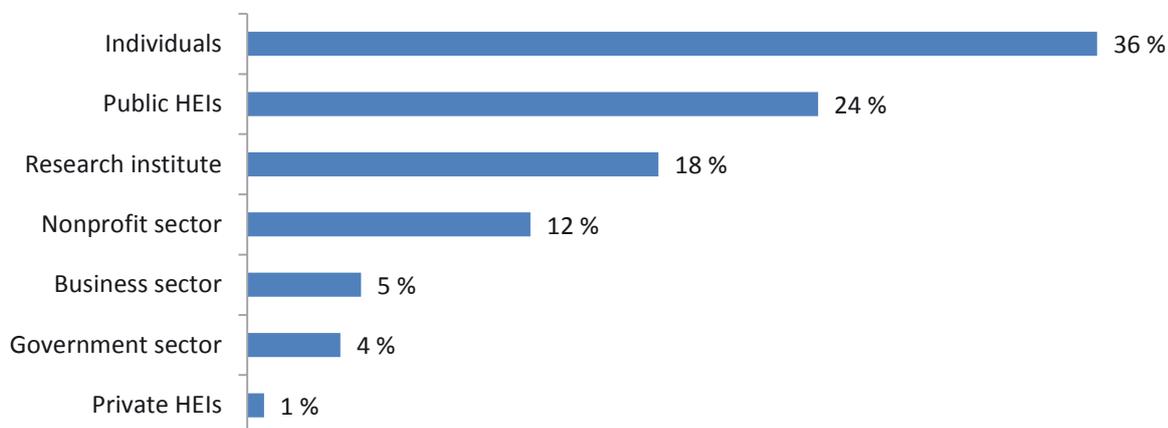
### 3.4.1 Beneficiaries

Taking only those foundations into account that gave full information about their beneficiaries (N=99), the most common recipients of the foundations’ support are individuals (on average 36.3 % of the total

foundations' beneficiaries) and public HEI (24.4 %), while private HEI (0.7 %) and the government (4.0 %) account for the smallest number of beneficiaries. The remaining beneficiaries are research institutes (17.6 %), the nonprofit sector (12.1 %), and the business sector (4.9 %), as can be seen in Figure 17 below.

### Figure 17: Beneficiaries

As a percentage of total number of foundations, multiple answers possible (N=99)



### 3.4.2 Research areas

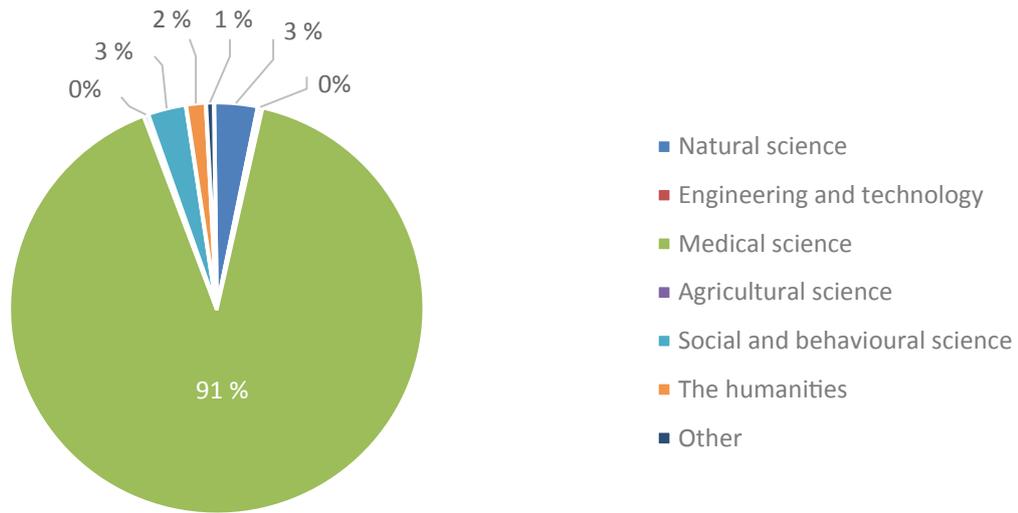
As certain research areas are more capital-intensive than others, it is not surprising that the major portion of over 90 % of expenditure goes to medical science. Even excluding the biggest foundation from the sample, which makes up 90 % of the amount covered by this subsample of 165 foundations, does not lower this value below 80 %. For a complete overview please see Table 7 and Figure 18. A more even distribution is seen when looking at what sectors the foundations declared as being active in (see Figure 19). Medical science with 46.1 % still takes the lead; however, this is more closely followed by the humanities and natural science, each at 30.3 %. Looking at the distribution as indicated by foundations reflecting their activities in the past year, the values are almost identical.

**Table 7: Expenditure according to research area (N=165)**

Expenditure	Amount in Euros
Natural science (N=50)	10 521 702
Engineering and technology (N=25)	1 061 240
Medical science (N=76)	280 371 619
Agricultural science (N=18)	1 087 486
Social and behavioural science (N=47)	9 236 776
The humanities (N=50)	4 774 951
Other (N=16)	1 920 445

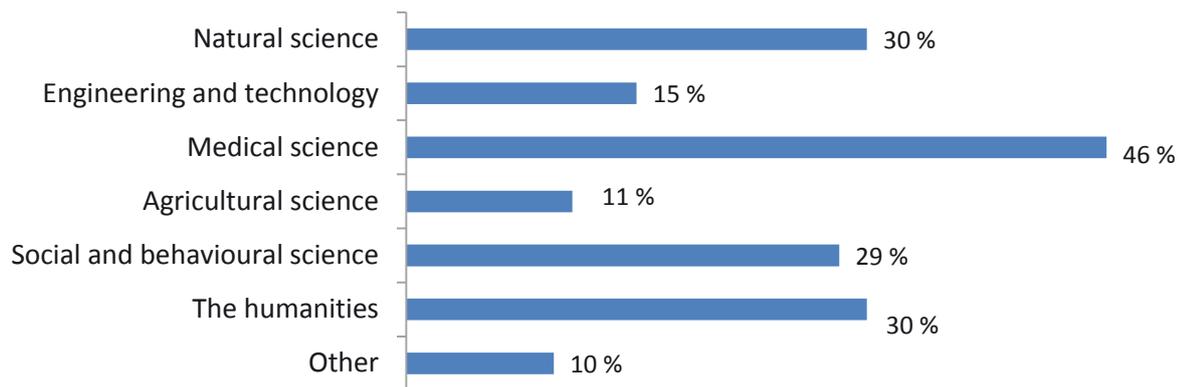
**Figure 18: Research areas**

As a percentage of total known expenditure



**Figure 19: Research areas**

As a percentage of the total number of foundations, multiple answers possible (N=165)

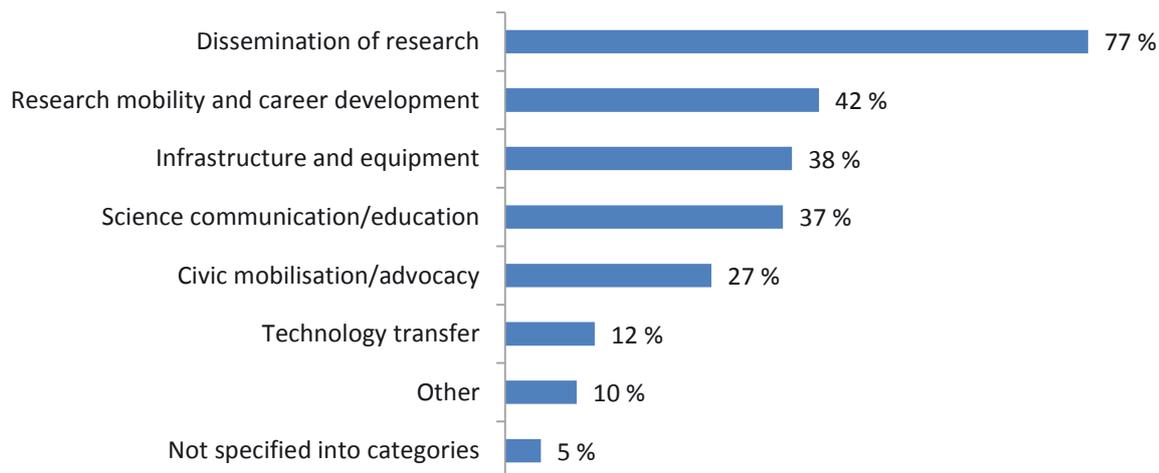


### 3.4.3 Research-related activities

Among the 84 foundations indicating what kind of research-related activities they support, the dissemination of research is by far the most popular (77.4 %). Research mobility and career development was named as the second most popular with 41.7 %, just above infrastructure and equipment (38.1 %) and science communication and education (36.9 %) – for a complete overview see Figure 20. Taking a look at how much money is actually spent on those activities, we can see a different picture. Although the dissemination of research still receives the most (58.7 %), the second most popular activity (research mobility and career development) now ranks fourth, only accounting for 2.3 % of all expenditure – see Figure 21 below and table 8 for a complete overview.

**Figure 20: Research-related activities**

As a percentage of the total number of foundations, multiple answers possible (N=84)

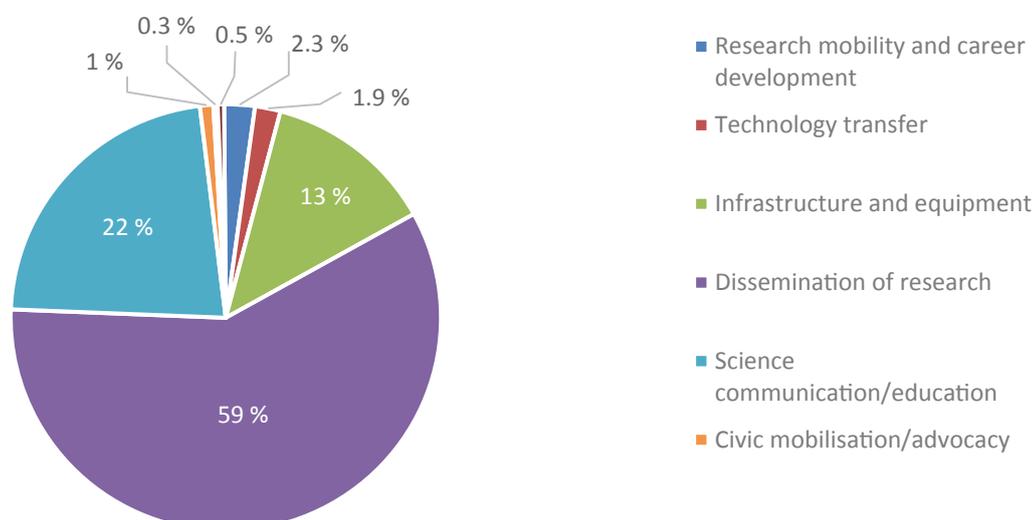


**Table 8: Expenditure on research areas**

Expenditure	Amount in Euros
Research mobility and career development (N=35)	2 010 683
Technology transfer (N=10)	1 673 554
Infrastructure and equipment (N=32)	11 223 203
Dissemination of research (N=65)	51 344 815
Science communication/education (N=31)	19 625 145
Civic mobilisation/advocacy (N=23)	876 840
Other (N=8)	280 992
Not specified into categories (N=4)	413 223
Unknown	67 599 617
<b>Total expenditure</b>	<b>155 058 072</b>

**Figure 21: Research areas**

As a percentage of total known expenditure



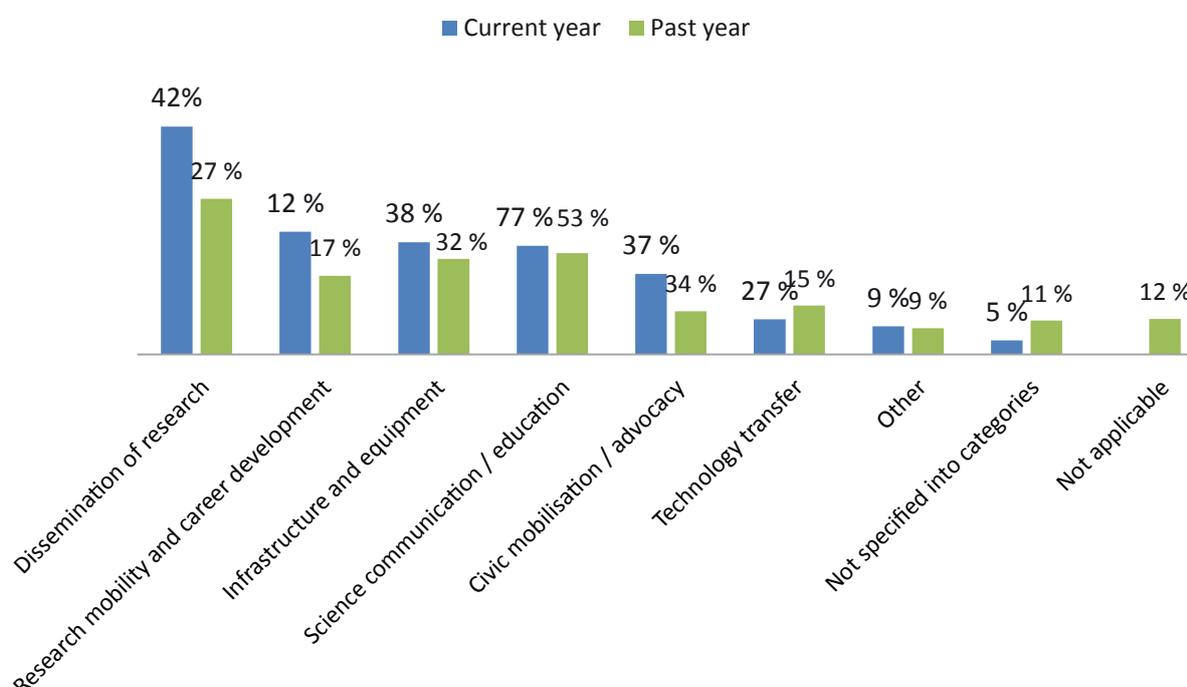
Foundations that have been active in supporting multiple research-related activities over the last five years (N=59) were asked to rank those activities in terms of importance. The picture is not as clear as the above-mentioned data might suggest, although the dissemination of research still takes a clear lead, when leaving out the category of ‘other.’

### 3.4.4 Changes in expenditure on research and research-related activities

As already mentioned in Section 3.4.3, the distribution of expenditure among the fields of research did not change significantly compared to those in the previous year. However, when taking a look at how foundations indicated what kind of research-related activities they support, a significant change can be observed. In particular, the two most popular activities mentioned in Section 3.4.3. seem to have grown extremely fast in comparison with the previous year (see Figure 22).

**Figure 22: Changes in expenditure**

As a percentage of total number of foundations, multiple answers possible (N=84)



## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus

Out of the 148 foundations who gave information about the full distribution of their funds, more than three quarters focus their activities (measured as the average percentage of total expenditure) on a local or national level, respectively. Only every tenth foundation has a Europe-wide radius of activity, which leaves another 13.7 % engaged on a global level.

These numbers change significantly when the total amount of expenditure is taken into account. From a total of EUR 157 million, over 25 % is spent on an international level. The amount spent on a local or na-

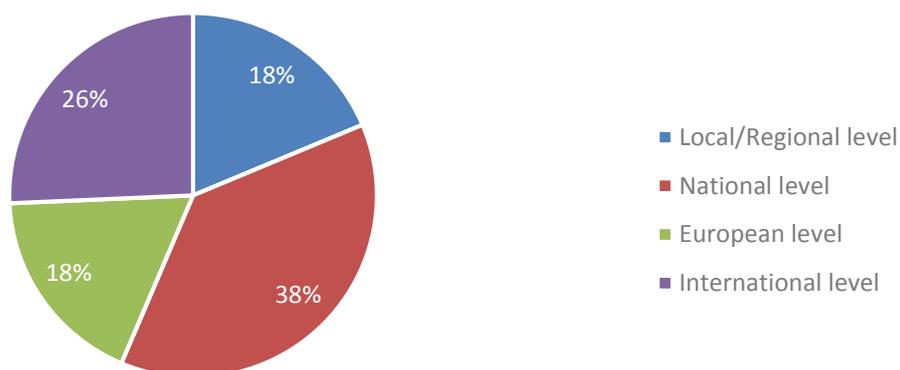
tional level is slightly above 55 %. This leaves almost 20 % of all expenditure going to grantees in Europe – see Figure 23. For a detailed distribution of the funds, please refer to Table 9.

**Table 9: Geographical focus of support (N=139)**

Geographical level	Amount in Euros
Local/regional	29 482 100
National	59 528 443
European	28 291 168
International	40 558 517
<b>Total expenditure</b>	<b>157 860 227</b>

**Figure 23: Geographical focus of support**

As a percentage of total (known) expenditure on research and/or innovation (N=139)



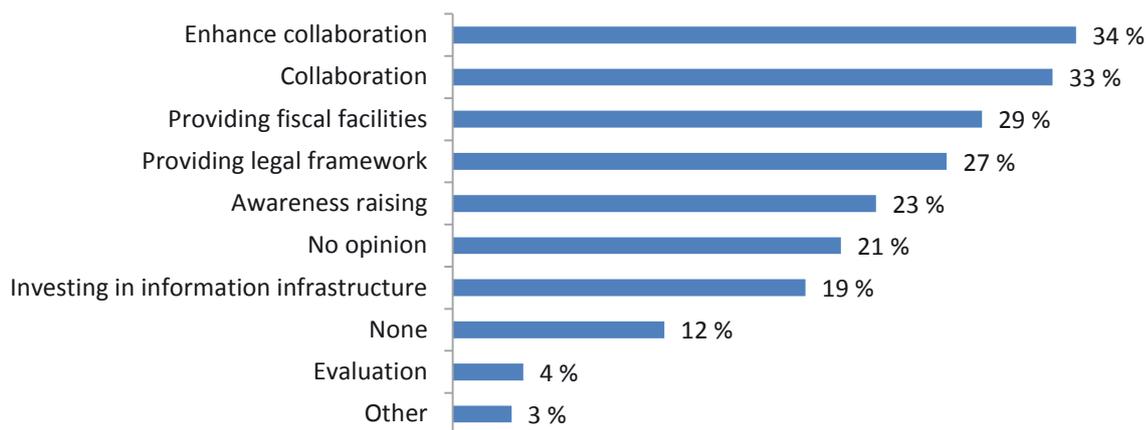
When engaging in supporting R&I activities in Europe, most Swiss foundations have not encountered any difficulties in doing so (almost 80 % of 43 foundations answered ‘no’). If any problems have occurred, most often they have been of a fiscal nature (11.6 %). Any other reasons were not named more than three times.

### 3.5.2 The role of the European Union

A total of 155 foundations answered the question on what the role of the European Union should be in relation to foundations. Over a third of the respondents either had no opinion (21.3 %) or did not see any role (11.6 %) the EU should carry out. These two answers might be due to the fact that Switzerland is not member of the EU, as well as the low percentage of foundations in our sample that have a Europe-wide radius of activity. Among the foundations that perceived a role for the EU, collaboration (32.9 %) or the enhancement of collaboration (34.2 %) were the most chosen answers. The remaining roles were chosen by about 20-30 % of the foundations, while the role of ‘evaluation’ was indicated by less than 4 %. These numbers clearly show that foundations are seeking additional support from the EU rather than control. For a complete overview see Figure 24 below.

**Figure 24: Role of the European Union**

As a percentage of total number of foundations, multiple answers possible  
(N=155)

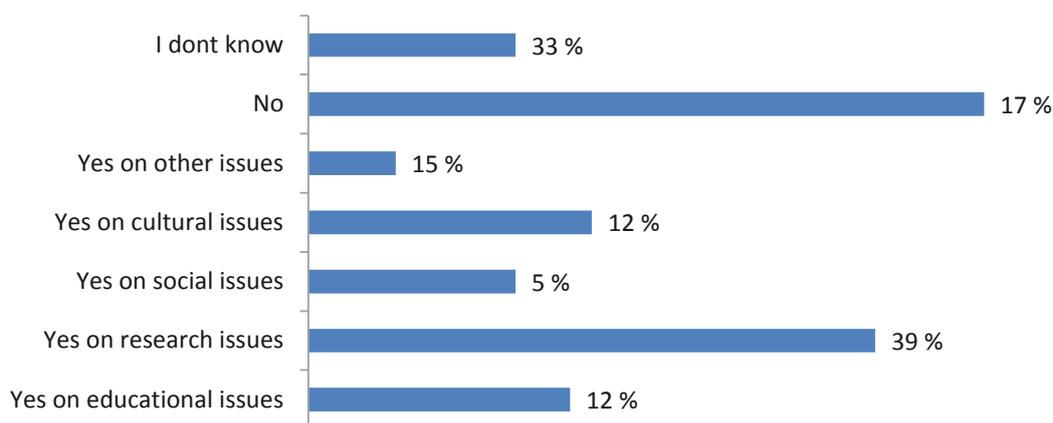


### 3.5.3 Contribution to European integration

As shown in Section 3.5.1 only a minority of foundations are active beyond Swiss borders. Therefore it comes as no surprise that 40 % of 157 foundations answered negatively to the question as to whether their activity contributes to European integration – another 12 % simply did not know (see Figure 25). For those who perceive themselves as contributing to this goal, 33.1 % answered they did so on research issues, 16.6 % on cultural issues and 15.3 % on educational issues. Doing so on social issues (12.1 %) and other issues (5.1 %) were mentioned the least often.

**Figure 25: Contribution to European Integration**

As a percentage of the total number of foundations, multiple answers possible  
(N=157)



## 3.6 Foundations' operations and practices

### 3.6.1 The management of foundation

When asked about who is in charge of defining a foundation's annual strategy, almost 50 % answered that this is done by a governing board with elected members. Roughly a third have a governing board with appointed members in charge, while for every fifth foundation the original founder still fulfills this role. This

leaves 7.8 % with other committees or people in charge – for instance the managing director.

The median governing board consists of three members, while on average there are four. Out of 164 foundations, there are two cases with boards that exceed ten members. When looking at supervisory boards, these numbers go up. The median board consists of a total of five members, and reaches on average almost seven. The number of foundations with supervisory boards with more than ten members rises to 11.6 % out of 132 foundations.

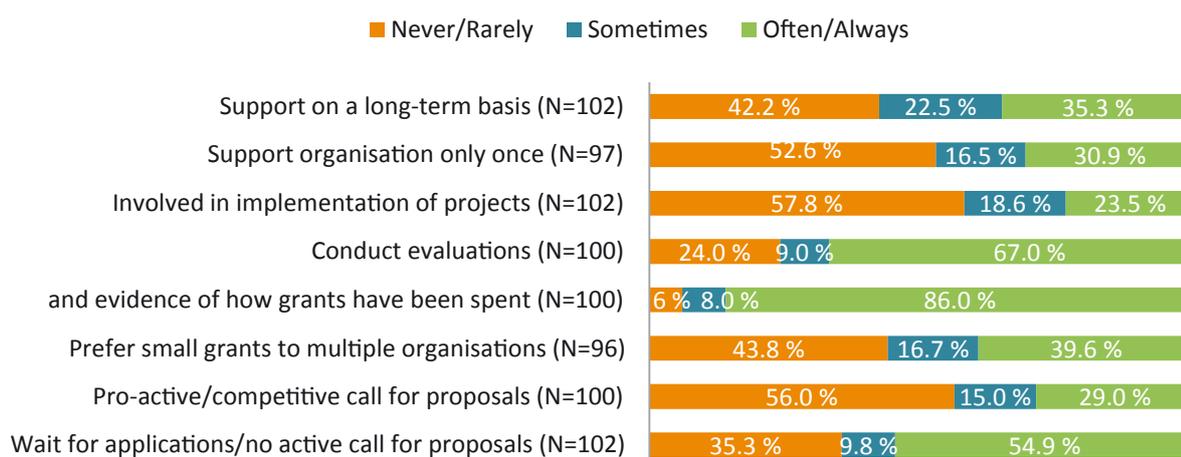
Finally, 179 foundations provided information about the employment of professional, paid members of staff. Only a third employ paid staff. As the question about how many full-time equivalents (FTE) those foundations employ was answered poorly and inconsistently, we unfortunately cannot provide comprehensive numbers about average job percentages.

### 3.6.2 How do grantmaking foundations support research?

As part of their ‘daily practices’ the most common activity among 102 foundations is clearly the gathering of information about the use of granted funds and evaluating those projects. When it comes to calls for proposals for new grants, the foundations in this sample prefer a more passive way of approaching this task, as can be seen in Figure 26 below. While over half often or always wait for applications, only about 30 % proactively call for proposals. As this question was only answered by foundations providing grants, it also seems understandable that most of them are not or only rarely involved in the implementation of projects. The question as to whether foundations prefer to support on a short or long-term basis tended to be answered in favour of short-term support, while most foundations chose to support organisations multiple times.

**Figure 26: Daily practices of grantmaking foundations**

As a percentage of the total number of foundations



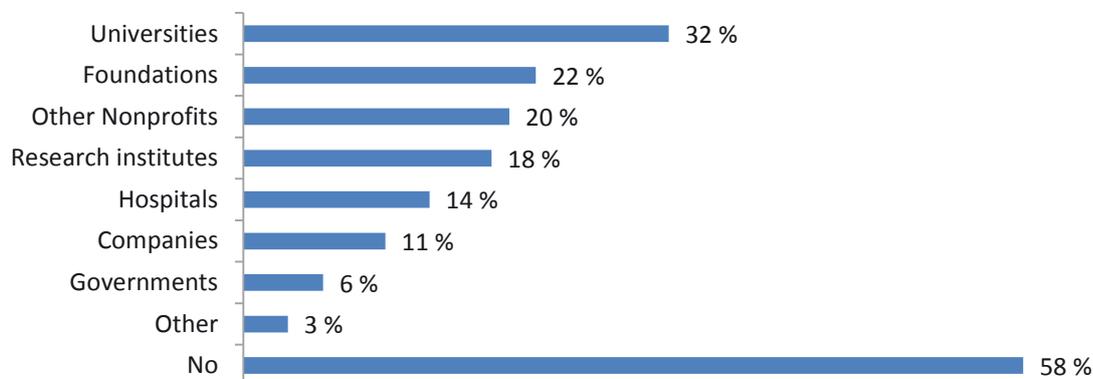
### 3.6.3 Engagement in partnerships

Only a minority of 42 % (N=152) of the foundations included in our sample engage in partnerships in joint research when it comes to carrying out R&I activities. The most common partners in these joint activities

are universities, followed by other foundations or NPOs, as well as research institutes. Foundations seldom seek partnerships with hospitals, companies or the government, as can be seen in Figure 27.

### Figure 27: Partnerships

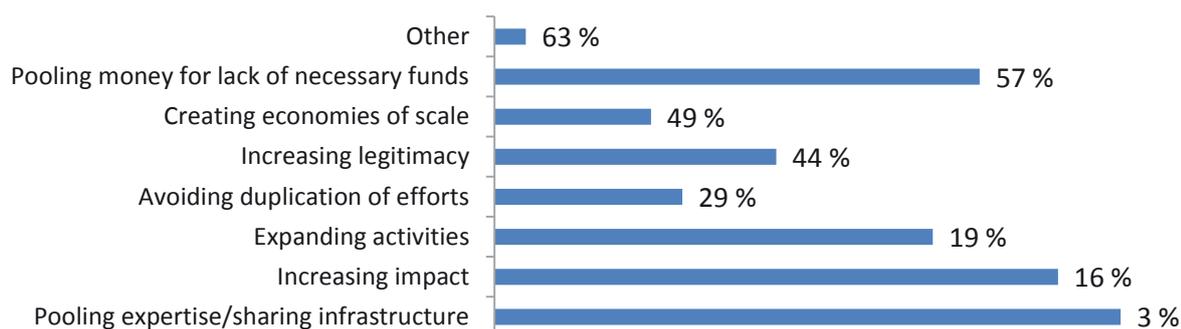
As a percentage of the total number of foundations, multiple answers possible (N=152)



If foundations choose to partner up, the main reason is the pooling of expertise and the sharing of infrastructure, was mentioned by 63.5 % of 63 foundations. Partnerships are also popular when foundations aim at increasing their impact (57.1 %) or for the simple task of pooling money due to a lack of funds (49.2 %) or expanding their activities (44.4 %). Far less popular are partnerships to increase the legitimacy of their actions (28.6 %). Avoiding duplication of efforts (19.1 %) and creating economies of scale (15.9 %) do not seem to be significant driving forces behind partnerships, as can be seen in Figure 28 below.

### Figure 28: Motivations for partnerships

As a percentage of the total number of foundations, multiple answers possible (N=63)



## 3.7 Roles and motivations

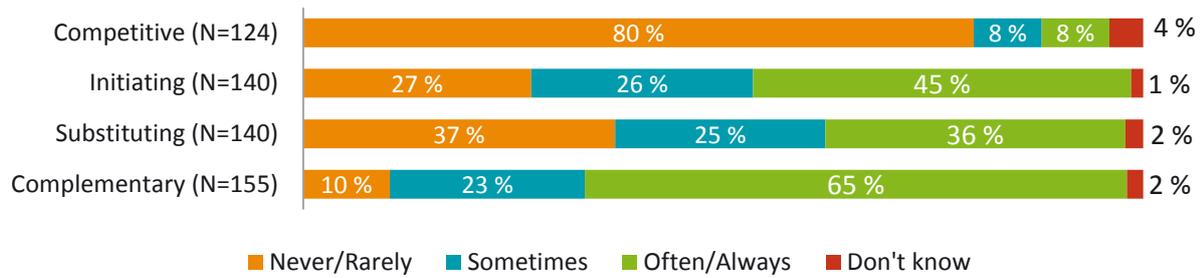
### 3.7.1 Roles

Given the liberal legal framework in Switzerland (as stated previously) Swiss foundations are not a direct instrument of governmental organisations, as in countries with a State-controlled foundation landscape. Anheier (2006) characterises Switzerland (as well as Germany, the Netherlands and Austria) as a country

with a 'corporative model.' Foundations therefore often play a subsidiary role with respect to governmental duties. This is also revealed when looking at how 155 foundations answered the questions regarding their self-perception. More foundations see themselves in a complementary rather than substituting role, although almost 40 % still answered that they often if not always play that role as well. It also became clear that competitiveness is clearly not associated with the way most foundations carry out their work (almost 80 % rarely or never see themselves as being competitive) – see Figure 29 for more details.

**Figure 29: Roles of foundations**

As a percentage of the total number of foundations according to role



# 4 Innovative Examples

## 4.1 Interviews

The semi-structured interviews were based on a short catalogue of questions which the interviewees received prior to the meeting or phone-call. These questions were divided into four major parts: project selection, motivation, role of innovation and results. The foundations' representatives are members of their executive management, and each chose a very successful and innovative project as a thematic framework for the interview.

## 4.2 Velux Stiftung: INAPIC <sup>[6]</sup>

INAPIC stands for the International Normal Aging and Plasticity Imaging Center, a research centre at the University of Zurich with the key objective of facilitating research on normal healthy behavioural and neural development and aging to explore the potential for plasticity (i.e. development potential) and compensation throughout the lifespan. The central goal of the INAPIC is to uncover the range of developmental intraindividual plasticity as well as the degree of interindividual differences in this potential. Their methodological repertoire includes a variety of behavioural measures as well as structural and functional MRI and EEG (Universität Zürich 2014a).

INAPIC was established and is primarily funded by the Velux Stiftung, a foundation established by the Danish entrepreneur Villum Kann Rasmussen in Zurich in 1980. The INAPIC currently employs 16 researchers, postdocs, doctoral students and other staff, and also receives funding from the Zürcher Universitätsverein and the University of Zurich itself.

### 4.2.1 Project selection

At the beginning of this project it was not at all clear if the INAPIC would be the final result, as the project has been initiated during a process of interaction between the Velux Stiftung and a professor of gerontology. Usually researchers apply for funding for their projects, and the foundation then decides on what projects they support. In the case of the INAPIC, the Velux Stiftung specifically wanted to be proactively involved in this specific research area as it had not yet been approached for grants in this field. They therefore asked researchers to come up with new ideas. This process of cooperation and joint-development of ideas of funders and researchers finally resulted in the decision to set up a research centre for healthy aging.

### 4.2.2 Motivation

Based on the joint-development of this project, the foundation was already initially motivated to be engaged in this field. Although the realisation of this project involved high risks (especially financial risks,

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6 <http://www.inapic.uzh.ch/index.html>

as the first round of funding took up almost half of the foundation's annual budget), the foundation's management and board of trustees was convinced that this non-traditional way of institutional (instead of project-based) funding was the right choice. Working together with two professors who were not only pioneers in their field, but also showed entrepreneurial thinking, was in line with the foundation's philosophy of making a sustainable impact through innovative products and newly developed methods. In their view, each project represents a new venture, and therefore needs not only to be based on excellence in research, but also entrepreneurial thinking and strong personalities.

As the foundation perceives its role in private research funding as initiating cooperation and encouraging interfaculty research the INAPIC matched the foundation's standard perfectly. Despite initial doubts on the part of the university, the removal of a bottleneck in studying healthy aging by gaining access to MRI and EEG infrastructure motivated the foundation to realise the project, which eventually paid off.

### 4.2.3 Role of innovation

Based on the understanding that a foundation only legitimately exists if it produces an added value which would not have existed without its engagement, innovation is a key to the Velux Stiftung's strategic orientation. The Velux Stiftung would not invest in a project which does not involve newly developed products and/or methods that have a significant impact on society (hence, innovation). Only if invested funds and efforts can be multiplied through the realisation of innovative projects the foundation's grants or investments are used in a most effective way. To capture this potential of innovation in advance, the foundation requires grantees to submit an application which should answer the same questions as a business plan and show how the newly developed knowledge can also be transferred to different areas of application.

### 4.2.4 Results

Despite the initial doubts on the part of the university, the INAPIC was successfully established and contributes to making a niche topic a focus of research within the university. The centre has been able to attract more third-party funds (a multiple of the initial funding by the foundation) and establish several international collaborations. This has also enabled the centre to expand the research team to 16 employees.

Recently, the research in the context of 'serious games' conducted by the INAPIC made headlines. Serious games are computer games aimed at more than pure entertainment, but are used as a tool to train certain skills. In the field of gerontology, results from these studies should lead to the development of games to support therapy and to train cognitive skills, therefore contributing to more healthy aging.

According to our interview-partner, a major factor as to why the project has been so successful was not only the jointly developed topic, but also the involvement of strong, entrepreneurial oriented personalities. Moreover, this creative collaboration and proactive way of approaching the traditional way of grant-making has enabled the foundation to fill gaps in scientific research, which has led to the creation of unique and innovative added value.

## 4.3 Jacobs Foundation: the Jacobs Centre <sup>[7]</sup>

The Jacobs Centre at the University of Zurich is an international and interdisciplinary research centre focusing on productive youth development. It was founded as a joint venture between the Jacobs Foundation and the University of Zurich and has the status of an associated institute (Universität Zürich 2014b). The centre's biggest research project currently is CoCon – an interdisciplinary project which examines the social conditions, life experiences and psychosocial development of children and adolescents in Switzerland from a life-course perspective (a cross-sectional as well as longitudinal study) (Universität Zürich 2014c).

Half of the centre's annual budget is financed by an endowment made by the Jacobs Foundation, an organisation established by Klaus J. Jacobs and his family in 1989. The other half of the budget is financed by the University of Zürich. Currently, the Jacobs Centre for Productive Youth Development employs 11 researchers, scientific collaborators and other staff.

### 4.3.1 Project selection

The Jacobs Centre was opened on the initiative of the Jacobs Foundation itself. However, after the initial step of deciding to build a centre for productive youth development, the concept as well as the specific focus of research was jointly developed by a selected professor and the university itself.

Initially, the foundation mainly supported projects by traditional grantmaking, and a mainly responsive behaviour towards applications. In recent years, and due to a more specific strategic orientation of the organisation, the foundation has become more involved in implementing its own projects. Funding a whole research centre, and therefore being engaged in institutional funding, was new to the foundation and thus also posed a risk to the organisation, mainly from a reputational point of view: the centre might have failed and made the foundation appear in a bad light, or the results coming out of the research might have contradicted the foundation's values. Also, the establishment of such a research centre could have been rejected by the public as not desirable or necessary. However, the foundation was willing to take those risks as the project fulfilled the foundation's three basic requirements for funding: content from which social innovation could be derived, the gained results or invented methods could be expected to be scalable, and no less important, the set goals could be evaluated.

### 4.3.2 Motivation

Similar to the Velux Stiftung, the Jacobs Foundation perceives its strategic mission as a generator of ideas or an initiator of current and necessary debates. As public funding for R&I is decreasing, the Jacobs Foundation wants to raise the question as to whose role it is to fund research, and therefore eventually initiate a change in the system of research funding. Foundations, compared to private or public organisations, have the advantage of being more flexible and acting as quick movers. They are therefore able to identify gaps, raise awareness and contribute to filling or bridging them. According to our interviewee, foundations have an important role to play in private research funding. This is what led to the engagement of the Jacobs Foundation at the University of Zurich.

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7 [http://www.jacobscenter.uzh.ch/index\\_en.html](http://www.jacobscenter.uzh.ch/index_en.html)

### 4.3.3 Role of innovation

As mentioned previously, one of the core elements is that each funded project should fulfill its social innovation. This is also why the Jacobs Foundation only funds projects in terms of initiating new processes, and will not commit to long-term funding. When using the term 'social innovation' the foundation derives its definition from the Center of Social Innovation at Stanford University. They aim at developing new, efficient and effective solutions for current social problems and needs. To be able to capture the potential of a funded project in this respect, the Jacobs Foundation has defined sub-dimensions on the basis of which each project is judged (e.g. creating new knowledge, initiating a dialogue, etc.). Where possible and reasonable, these dimensions are quantified to guarantee a transparent evaluation.

### 4.3.4 Results

Since its foundation ten years ago, the Jacobs Centre has been able to attract further third-party funding and establish the CoCon project. This study has become very successful and internationally renowned as it looks at the development of social skills in the context of transitions in early life (such as school entry and the beginning of vocational training). Findings from the still ongoing study will help to overcome or even prevent developmental barriers. Coping with the many challenges of child and youth development requires an integration of theory and methodology. Through CoCon, the Jacobs Centre was also able to attract funding from the Swiss National Science Foundation.

In the beginning of 2014 the Jacobs Foundation and the University of Zürich announced they would be continuing their joint venture and expanding the current centre in 2015 by creating three new professorships and three assistant professorships for interdisciplinary youth research in the disciplines of psychology, sociology and economics.

The foundation's change of course towards an increasingly proactive and operational way of realising projects and pursuing its mission of 'facilitating innovations for children and youth' was key to the success of the Jacobs Centre. Despite the reputational risks the foundation faced, the strategic and structured process of developing this first institutional funding as a joint venture with the University of Zurich provided a powerful example of how private and public research funding together can generate sustainable and innovative results.

# 5 Conclusions

## 5.1 Main conclusions

For the first time this study offers insights into foundations supporting research and innovation. Given the weak data available and the complex methods of data collection, the results should be treated with caution. For 18.8 % of all charitable foundations, support for research and innovation is a leading foundation purpose in Switzerland. However, only 295 foundations participated in the focal study and some major research supporting foundations were missing.

The typical Swiss R&I foundation was founded by individuals, is focused on medical science, pursues its purpose through grantmaking, and has rather low assets and potential for expenditure. These findings are supported by former studies on founders. Hence, foundations are often set up as a result of personal loss or a twist of fate (Helmig and Hunziker 2006). Thus, research foundations are established to support those medical sciences aimed at fighting a specific disease.

While over 80 % of 133 foundations indicated that they are active in supporting applied research, and less than 50 % in supporting basic research, this inequality diminishes when we look at how much money is actually spent in these two categories (55 % on applied research and 42 % on basic research).

Most of the foundations support individuals and public HEIs as Switzerland has nearly no private HEIs. The primary focus of support is the dissemination of research, followed by research mobility and career development.

As a consequence of all these descriptive findings, one can conclude that Swiss foundations play a complementary role to State funding in the field of research and innovation. This view is also shared by the HEIs themselves, who consider foundations as one of the most important partners in private research funding (von Schnurbein and Fritz 2014). This complementary role has two aspects: on the one hand, the assets and the heterogeneity of foundations reduce their ability to take on a more prominent role. There might be some exceptions, but the majority of R&I foundations support with their resources institutions and activities closely related to State policies. On the other hand, foundations lack competency and interest in playing a more active part in the research landscape. Most foundations limit their actions to pure and reactive grantmaking.

## 5.2 Strengths and weaknesses of the R&I foundation sector in Switzerland

The major strength of the Swiss R&I foundation sector is its size and strong growth throughout the past two decades. Although there are some examples of very old R&I foundations, our findings show that research has recently gained attractiveness as a purpose for founders. The growth of the foundation sector can partly be explained by the liberal and pragmatic legal regulations that facilitate the establishment and management of foundations.

Another advantage of Swiss R&I foundations is the broad range of purposes. In particular, the more recently created foundations have widely formulated purposes that allow strategic shifts and the adoption of research developments. As a consequence, R&I foundations support research far more broadly than State funding institutions. This makes them interesting for researchers seeking grants for innovative or interdisciplinary projects.

A major weakness of the Swiss R&I foundation sector is the disparity between many small and some large foundations. With no public register available, the cost of searching and collecting information for the researcher is very high and reduces their interest in foundation grants. This lack of connectivity between foundations and researchers is amplified by the reactive and reluctant attitude of the majority of foundations.

With regards to the environment, one can state that research and innovation receive a lot of acknowledgement from the State, the economy and the society at large. Hence, supporting science and innovation is a popular and common purpose for donations and foundations. Additionally, State funding for research and innovation is constantly high. This allows private donors to focus on niche areas and act as complements to public budgets. On the contrary, the most important threats lie in economic and political development. As most research and innovation happens inside the economy, the public universities are dependent on close relationships with the major companies. A decrease in economic growth would have direct implications for research and innovation. Another threat is the consequences of political decision-making. Swiss research units are highly reliant on foreign researchers. A limitation to immigration would endanger the employment of researchers from other countries. <sup>[8]</sup>

## 5.3 Recommendations

Since the Swiss R&I foundation sector is large in size and remarkable in terms of assets, the following recommendations focus on improving the accessibility of these resources. A major advancement would be a public register of foundations in general, which would facilitate the search for researchers and reduce the cost of fitting on both sides.

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8 As a consequence of the Swiss people's vote against the free movement of persons on 9 February 2014, the EU ceased further negotiations with Switzerland on other bilateral treaties, including Switzerland's participation in Horizon 2020 and Erasmus.

Another recommendation focuses on the mode of foundations' foundations. Instead of their reactive attitude, R&I foundations should create more active and supportive ways of funding, including competitions, requests for proposals and long-term institutional funding.

As many R&I foundations have quite low assets and income at their disposal, possibilities for cooperation and joint actions should be improved. Besides the co-funding of project or joint support in institutional funding, a more elaborate alternative could be the establishment of an umbrella organisation that pools resources and offers attractive support options for foundations. A good and successful example of this solution is the 'Stifterverband für die Deutsche Wissenschaft.' Created by several corporations in 1920, the Stifterverband today generates annual funds of over EUR 120 million, acts as a service provider for over 570 foundations and manages EUR 2.5 billion in assets.

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United Kingdom Country Report

# EUFORI Study

European Foundations for  
Research and Innovation

Cathy Pharoah  
Meta Zimmeck

Research and  
innovation



# **United Kingdom Country Report**

EUFORI Study

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# 1 Contextual Background

## 1.1 Historical background

Although not a technical term, the word ‘foundation’ is increasingly used informally in the UK to refer specifically to charities which have an independent, sustainable source of funding, often a large endowment of money, and which have as their main activity the funding of other charitable purposes, individuals and organisations through grants. Such charitable institutions have a very long history, from the hospitals and almshouses established within the religious orders around the tenth century, to the burgeoning of the philanthropy of the great industrialists of the Victorian era, when many foundations were established to meet the public health, educational and care needs of the growing city populations. One of the hallmarks of foundations in the UK is their independence.<sup>[1]</sup> After the Reformation and the Charitable Uses Act 1601, philanthropy became increasingly secular rather than religious in its purposes and developed a degree of autonomy virtually unknown in continental Europe.<sup>[2]</sup> The unique ‘Charity Commissioners’ were established permanently in 1853 and provided charitable activities with their own system of regulation, which has lasted through to the modern Charity Commission, funded by government but operating at ‘arms-length’ from it.

Early mediaeval foundations were often ‘operating’ in their nature – established and endowed to provide direct care and services for the sick, elderly or needy. Nineteenth-century philanthropists, however, turned their attention from immediate need to the problems of society and made major investments in programs which aimed to address the root causes of poverty and the social impact of urbanisation and industrialisation. The philanthropy of the great social reformers such as Robert Owen, Joseph Rowntree and Barrow Cadbury aimed to improve the working and living conditions and welfare of employees and established their foundations to protect and progress this work.<sup>[3]</sup>

In many ways the history of foundations in the UK can be seen as a reflection of its industrial history. The Joseph Rowntree Foundation and Barrow Cadbury Trust were established in the late nineteenth century from the fortunes made by Quaker entrepreneurs working in the chocolate industry; the great Nuffield Foundation and Wellcome Trust, in the interwar period from the profits of the car and pharmaceutical industries; the extensive group of Sainsbury Family Charitable Trusts, with the Gatsby Trust as the largest, and the Children’s Investment Fund Foundation, in more recent times, from the successes of the food retail business and the financial services industry. Other new foundations such as Vodafone and Billiton

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1 Susan Moody (2000) ‘Self-Giving in Charity: The Role of Law’ in Charles Mitchell and Susan Moody (eds), *Foundations of Charity* (Oxford-Portland, Oregon: Hart Publishing), pp79-81.

2 Stephen Pumfrey and Frances Dawbarn (1993) ‘Science and patronage in early modern England – a preliminary study’ [http://drebbel.net/sci\\_and\\_pat.pdf](http://drebbel.net/sci_and_pat.pdf)

3 See for example, Merlin Waterson and Samantha Wyndham (2013) *A History of the Barrow Cadbury Trust: Constancy and Change in Quaker Philanthropy* (London: The Barrow Cadbury Trust).

Sustainable Communities owe their origins to the increasing prominence of the communications and extractive industries.

As in other countries, the emergence of the major charitable foundations in the UK is sometimes linked to issues of corporate succession planning. Henry Wellcome's will created the Wellcome Trust, which owned the Wellcome Foundation, the huge drug company he had built.<sup>[4]</sup> The process of separation began formally in 1986 when the courts amended the will to allow the Foundation to become a public limited company and float its shares. The Wellcome Trust increasingly diversified its shareholding and during the 1980s and 1990s built up the investment portfolio that funds its charitable work today. To protect trustees, the Wellcome Trust Ltd was created as sole trustee, and trustees became governors responsible for the Trust but without liability for its assets.

Successive waves of immigration into the UK have also driven the growth of family foundation philanthropy, as successful community figures established foundations to help their compatriots, often with a mix of social-welfare and faith-based objects. Many foundations were established by and for the Jewish community, often with a focus on local areas where Jewish people settled, such as East London. An increasing number of large charitable foundations are being established by the Muslim community, and there are also new Hindu and Buddhist foundations.

Although there are no formal statistics for the numbers of new foundations established each year, many of today's wealthy people continue to establish foundations, including, among others, Foyle, Hunter, Paul Hamlyn, Pears, Peter De Haan, Rambourg, Shirley, Sutton, Vardy and Volant.

## 1.2 Legal and fiscal framework

### 1.2.1 Charitable status

In the UK foundations are not a special form of charity: all registered charities, whether called 'foundations' or 'trusts,' and whatever their funding source or activities, have the same character in law. This is the 'charitable trust,' usually set up by a trust deed or will which provides for the independent governance and use of donations made in perpetuity for charitable purposes.<sup>[5]</sup> Charitable status in the UK is not achieved through the adoption of a particular legal constitution or form but through compliance with 'charitable purposes' as set out by the charitable regulators, namely – the Charity Commission for England and Wales, Office of the Scottish Charity Regulator (OSCR) and Charity Commission for Northern Ireland.

Rooted in common law traditions, legitimate charitable purposes in England and Wales were defined in the 1601 Act and have not been fundamentally changed, although they were modified and widened in the Charities Act 2006, now superseded by the Charities Act 2011. The role of the Charity Commission as regulator is to decide if an organisation's purposes are charitable and to agree any change to original mission. The need for change arises when the purposes of the charitable trust become out-of-date, the

4 See 'History of Henry Wellcome'(webpage) <http://www.wellcome.ac.uk/about-us/history/index.htm>

5 Charity Commission for England and Wales, Choosing and preparing a governing document (webpage) [www.charitycommission.gov.uk/detailed-guidance/registering-a-charity/choosing-and-preparing-a-governing-document-cc22/#14](http://www.charitycommission.gov.uk/detailed-guidance/registering-a-charity/choosing-and-preparing-a-governing-document-cc22/#14)

most famous example being the City Bridge Trust. Established in the eleventh century on the basis of a tax for maintaining London's bridges, the trust gradually accumulated huge wealth based on its property in the City, and in 1995, after its purposes were widened to encompass other charitable purposes in Greater London, it began to award grants. It still has responsibility for the (now five) London bridges. Definitions of charitable purposes vary somewhat in Northern Ireland and Scotland.

In other words, 'foundations' in the UK do not have a distinct legal identity or constitution and are subject to the same public benefit tests, governance, accounting requirements and regulation as all other charities.

### 1.2.2 Accountability and reporting

Like other charities, grantmaking foundations above a certain level in the UK must submit annual accounts to their charity regulators. In England and Wales those with an annual income or expenditure of £250 000 and more must submit annual audited accounts to the Charity Commission. Proposals to increase this audit threshold from £250 000 to £500 000 (the same as in Scotland), or to total assets of over £2.8 million are being considered. The relatively new Charity Commission for Northern Ireland is still developing its legislation. The charities' Statement of Accounting Practice (SORP) used for all charities throughout the UK requires grantmaking foundations to give details of the substance of annual grants and identify charitable expenditure and support costs separately. It also requires them to explain how grants meet their objectives in relation to public benefit.<sup>[6]</sup>

### 1.2.3 Tax reliefs

A range of tax reliefs is available to donors and registered charities in the UK from which grantmaking foundations benefit. Initial donations of capital, shares or property into a foundation attract personal income tax reliefs when the gift is made or inheritance tax relief if the gift is a legacy. These are the same reliefs which apply to all personal charitable giving. Gifts into foundations from corporates also attract charitable tax relief. Further tax reliefs are available for foundations themselves, including exemption from income tax or corporation tax as long as the money is used for charitable purposes only. This applies to most types of investment income, although tax on dividends from UK companies and income derived from subsidiary trading companies or rents cannot be reclaimed after it is paid. There is also capital gains tax relief when charities dispose of assets, as long as the proceeds are used for charitable purposes only. The total value of tax reliefs to UK charities is currently estimated at around £4.5 billion.<sup>[7]</sup>

### 1.2.4 Special incentive scheme for donations to higher education

In 2008 the government established a matched funding scheme that aimed to increase voluntary donations to higher education institutions (HEI) and directly-funded further education colleges in England, and particularly to build endowments to provide sustainable funding for the future. The scheme was run by

6 Accounting And Reporting By Charities: Statement Of Recommended Practice (revised 2005) [2005 SORP]; London: Charity Commission for England and Wales) <https://www.charitycommission.gov.uk/detailed-guidance/money-and-accounts/charity-reporting-and-accounting-the-essentials-2009-cc15b/sorp-documents/>

7 HMRC, Costs of Tax Relief, Table 10.2 <http://www.hmrc.gov.uk/statistics/charity/table10-2.pdf>

the Higher Education Funding Council for England (HEFCE). Eligible gifts to participating institutions were matched through a fund of £200 million. Such institutions received matched funding according to their place in one of three tiers, each with a different funding ratio and cap suitable for institutions with differing degrees of fund-raising experience.<sup>[8]</sup> The scheme ran for three years.

## 1.3 The foundation landscape

### 1.3.1 Operating or grantmaking?

The UK has few operating foundations today, but about 8 % of foundations' charitable expenditure is dedicated to their own programs. There is increasing interest in this model as more foundations are set up by live donors who want to be actively engaged in social change initiatives.<sup>[9]</sup> Some foundations that are both grantmaking and operating are active in medical research and social care. The Carnegie UK Trust is endowed but is an entirely operating foundation dedicated to the development of civil society. Elizabeth Finn Care has considerable assets and makes grants as well as fundraising for, and providing, care services to, people who are elderly or poor.

### 1.3.2 Sources of data on charitable grantmaking foundations in the UK

The main source of information on charitable foundations in the UK is the mandatory annual reports which have to be submitted to regulators. There are no formal or administrative data on grantmaking foundations as a group, or sector, because they are not a distinct charitable form (see above). Foundations have to be identified through scrutinising individual charity accounts, using criteria such as private sources of funding and a high proportion of expenditure devoted to grantmaking. This is time-consuming and means that studies of the scale and scope of charitable foundations are based on smaller surveys of the largest foundations (for example, the top 500), as defined by the value of grantmaking. The Wellcome Trust accounts for one fifth of the top 500 foundations' grantmaking by value, and the five largest trusts together account for more than two fifths.<sup>[10]</sup>

### 1.3.3 Number of charitable grantmaking foundations

As foundations are not a distinct charitable form, there are no data on numbers. It is possible to get figures for all charities with an element of grantmaking in their activities, as the Charity Commission requires charities to report on grantmaking as part of operating activity. It has been estimated that around 20 000 charities fall into this category. The numbers for which grantmaking is the main activity is much smaller. One early study, which used data in published directories of grantmaking trusts, estimated that there were

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8 Tier 1 institutions received £1 of matched funding for every £1 of eligible donations claimed, up to a cap of £200,000: Tier 2 institutions received £1 of matched funding for every £2 of eligible donations claimed, up to a cap of £1,350,000: Tier 3 institutions received £1 of matched funding for every £3 of eligible donations claimed, up to a cap of £2,750,000. HEFCE, Matched funding scheme for voluntary giving 2008-2011: Circular letter 11/2008, May 2008 <https://www.hefce.ac.uk/pubs/year/2008/cl112008/name,62690,en.html>

9 Cathy Pharoah (2011) *Charity Market Monitor 2011* (London: ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School, and CaritasData), p137.

10 See Cathy Pharoah (2011) *Charity Market Monitor 2011* (London: ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School, and CaritasData). See also editions for 2008, 2009 and 2010. An update is forthcoming.

at least 9 000 such organisations.<sup>[11]</sup> No more recent surveys are available, so the best that can be said is that the numbers lie somewhere between 9 000 and 20 000.

### 1.3.4 The finances of UK charitable grantmaking foundations

In financial year 2009/10 the top 500 charitable grantmaking foundations<sup>[12]</sup> had a total income of £2.3 billion, of which around a third was derived from investment assets and 44 % from individual or corporate donations, legacies and fundraising (for example, Comic Relief). Their total expenditure was £3.0 billion, of which 75 % was for grantmaking. They had assets of £39.4 billion, although, as a result of economic turbulence, their real value was 8 % lower than in 2006/07. These assets, often in the form of permanent endowments, put them in a strong position in the charity sector as funders and as potential policy-makers. They provide independent and sustainable funds and are increasingly seen by government and others as a potential source for program-related and social investment.<sup>[13]</sup>

**Table 1: Key financial statistics on foundations in the UK, 2009/10**

Amount	£ million
Income	2 300
Total expenditure	2 969
Charitable expenditure	2 509
Net assets	39 408
Various costs as proportion of total expenditure	Percentage
Grantmaking	84.5
Support	4.6
Investment management	3.1
Governance	1.0
Other	6.8

### 1.3.5 Activities of charitable grantmaking foundations

There are no annual or published data on the activities of grantmaking foundations in the UK. A recent dedicated survey analysed the focus of activities of a large sample of the annual grants made by the 100 largest charitable family foundations, which represent around 75 % of all grantmaking by value in the UK.

11 Cathy Pharoah (1997) *Dimensions of the Voluntary Sector* (West Malling, Kent: Charities Aid Foundation), p90.

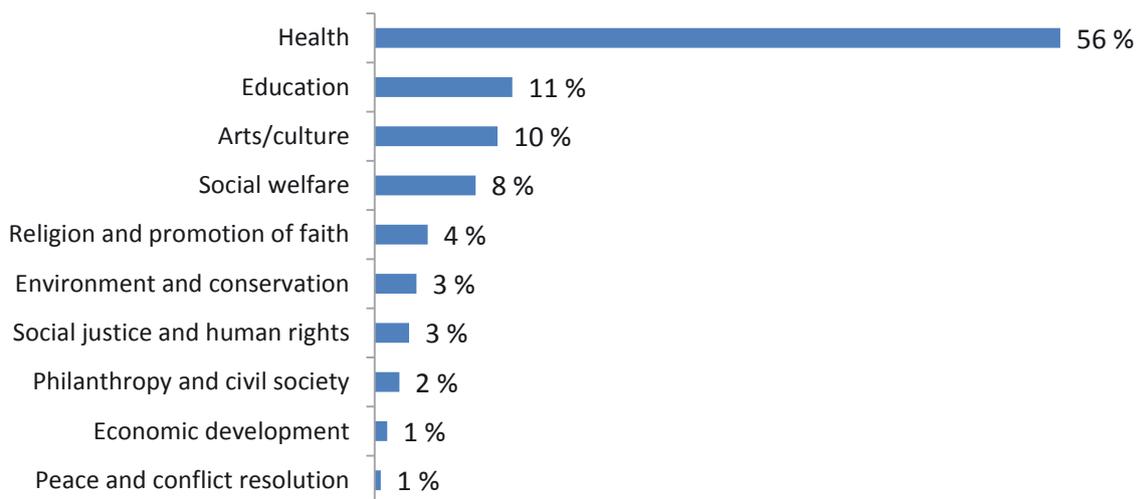
12 We have excluded the Big Lottery Fund (BLF) (2010), which is funded by the National Lottery. BLF made commitments of £440 million in 2009/10, and its comparatively large scale skews the data heavily when included. It is a non-departmental public body, and government is currently reviewing its structure. Big Lottery Fund, *Annual Report and Accounts for the financial year ended 31 March 2010* (HC337 and SG/2010/131; London: The Stationery Office), p2.

13 Pharoah (2011), pp138, 141-42.

Not surprisingly, because of the inclusion of the giant Wellcome Trust in the data, it was found that more than half of their charitable spending was related to biomedical and health areas. This was followed by education, the arts and then by social welfare. When the Wellcome Trust was excluded from the figures, a rather different picture emerged. Education and health were the top spending areas at 20 % each, closely followed by arts and culture at 18 %.<sup>[14]</sup> Research and innovation activities are not classified separately and are subsumed under the various topic categories.

**Figure 1: Distribution of top family foundations’ grantmaking by value according to field of activity, 2010/11**

As a percentage of total value of grantmaking of the top 100 family foundations



Percentages add up to < 100 % due to rounding

There are indications that arts and culture may be a higher priority for family foundations than for foundations generally. For example, in 2010/11 charitable trusts and foundations gave £170.3 million to arts and culture in the UK.<sup>[15]</sup> In the same year family foundations gave £133 million to arts and culture, and their giving may well account for up to three quarters of foundations’ support to this area.<sup>[16]</sup>

## 1.4 Current foundation developments and issues

Policies of austerity and reduced government spending in the UK, coupled with weak economic growth, which has resulted in lower returns on investments over the last few years, have prompted many foundations to review their priorities. For some a reduced spending capacity has led to a re-thinking of their own priorities and grantmaking practice – for example, making fewer larger grants in key priority areas. There is also considerable anxiety about potential increased demand as government grants to the voluntary sector are cut. The challenges of the funding environment have also given rise to a new and more critical climate

14 Cathy Pharoah, Tom McKenzie, Charles Keidan and Nigel Siederer (2012) Family Foundation Giving Trends 2012 (London: ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School), p38.

15 Arts & Business (2012), Private investment in culture 2010/11 Less Public, More Private? Arts Funding in a Cold Climate (London: Arts & Business), pp27-29.

16 Pharoah et al. (2012), p39.

of debate on how foundations can best use their assets, and some of the main strands of this are set out in the next few paragraphs.

### 1.4.1 Appropriate rates of spending

In 2010 the government put forward for consultation the idea of a United States-style mandatory annual pay-out rate,<sup>[17]</sup> but, with evidence that such an approach would be unlikely to increase the level of pay-out and fears that foundations' independence and capacity to respond flexibly to changing social needs would be undermined in favour of 'formula' spending, it was dropped from the subsequent policy document.<sup>[18]</sup> The debate about appropriate levels of spending, however, has continued, and the Association of Charitable Foundations (ACF) recently published a research and discussion paper, which concluded that most foundations limit their annual spending to 3 or 4 % of their assets in an attempt to maintain the real value of their portfolios and that spending on charitable priorities was a greater priority than preserving the value of assets.<sup>[19]</sup> Other recent reports have looked at the motivation and impact of foundations which decide to spend out their capital within a fixed term rather than aiming to exist in perpetuity.<sup>[20]</sup>

### 1.4.2 Social investment

Some foundations have also begun to experiment with making social and program-related investments and to test the water for the impact and effectiveness of using their funds to support projects with the capacity to generate both financial and social returns and develop a degree of financial sustainability in the long term. In terms of finance, social investment is still largely treated as a form of charitable expenditure, and there is limited program-related investment of assets where a financial return comparable to market terms is expected. The Wellcome Trust and Garfield Weston Foundations, which are major research and innovation funders, also account for most of the program-related investment in the UK and support start-up and new ventures within their own corporate activities. The Charity Commission has clarified its guidance to foundations in England and Wales on social investment: it is a legitimate use of charitable funds, but trustees remain accountable for their spending decisions and must make their criteria clear and explain how the investment meets their charitable objectives. Charitable foundations remain key investors in the new 'Social Impact Bonds,' an investment product in which returns are paid to investors out of efficiency savings achieved through effective preventive interventions by charities providing government-funded welfare services.

### 1.4.3 Strategic and social justice philanthropy

The drive to use resources in the most effective way for social change has also seen a resurgence and re-

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17 HM Government (2010) Giving Green Paper (London: Cabinet Office).

18 HM Government (2011) Giving White Paper (London: The Stationery Office).

19 Richard Jenkins and Kate Rogers (2013) For Good And Not For Keeps: How long term charity investors approach spending on their charitable aims (London: Association of Charitable Foundations).

20 See for example, Institute for Philanthropy (2010), The Power of Now: Spend Out Trusts and Foundations in the UK (London: Institute for Philanthropy); Association of Charitable Foundations (2010), Spending Out: learning lessons from time-limited grant-making: An ACF Guide for Member Trustees and Staff (London: ACF); and Tubney Charitable Trust (2013), Giving our all: reflections of a spend out charity (Reading: Tubney Charitable Trust).

definition of foundations' interest in what is variously termed 'strategic' and 'best practice' philanthropy. This has largely emanated from a group of foundations known as the 'Woburn Place Collaborative.' These foundations seek to work collaboratively and share a common commitment to addressing poverty, human rights and equality. They are following the traditions of the social reform philanthropy of the foundations set up in the Victorian era, with an emphasis on addressing the root causes of social problems, prevention and radical social change. For foundations whose spending power is severely limited in comparison with government budgets, strategic approaches in practice mean targeting projects and areas with the potential to generate maximum impact – for example, early years education to give children a good start in life, supported housing to enable people to rebuild their lives in times of crisis and prevent worse problems developing and community enterprise to empower local regeneration. With government funding of voluntary organisations increasingly tied to contracts for service delivery, which may influence charitable priorities and cause 'mission drift,' the capacity of charitable foundations to take on advocacy and lobbying roles because of the independence of their resources has assumed greater importance. The Baring Foundation, for example, has supported research on the independence of the voluntary sector.<sup>[21]</sup>

In a context of increasing expectations of the potential contribution of philanthropy, static or reducing state funding and pressure to find new and more effective ways of generating and using funds, the issues outlined here are likely to frame the development of foundations' policies and strategies over the next few years. The pressure to use funds effectively for lasting social change may prompt more foundations to devote part of their funding to research and innovation activities.

#### **1.4.4 Infrastructure, collaboration, partnership**

The Association of Charitable Foundations (ACF) provides member services to independent (that is, with their own sustainable source of revenue) grantmaking foundations. It represents member foundations to government and in policy-making and has an annual conference.

Organisations working in health and biomedical areas represent a distinct charity sub-sector. The Association of Medical Research Charities (AMRC) represents both foundations and operating charities working in research, development and patient information and advice in these fields.<sup>[22]</sup> AMRC raises awareness of issues of common interest around research ethics, standards, access to open data, patient protection and cross-border working. It liaises with the Medical Research Council (MRC) and the UK government, including the Department for Business, Innovation and Skills. It also works at a European level in order to ensure that legislation and policies are of relevance to research in the UK and its competitive position globally. For example, it has made representations on the draft Data Protection Regulation on research, which governs the use of patient data, and the draft Clinical Trials Regulation, which updates the current Clinical Trials Directive, identified as a source of delay in getting clinical trials off the ground in Europe. It also liaises with other charities and foundations in Europe to create a collectivity with greater impact. AMRC has reported that its 124 member charities spent over £1 billion on medical research in the UK in 2011/12. A report commissioned by Cancer Research UK specifically explored the interdependency between public

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21 See [www.independencepanel.org.uk/](http://www.independencepanel.org.uk/)

22 See <http://www.amrc.org.uk/>

and charitable medical research. It highlighted the main benefits of funding diversity as the capacity for cost-sharing and diversification of risk, greater stability of support for medical research, access to different skills and ‘know-how’ of funders, and creation of a more competitive research environment. It particularly highlighted the value of developing regional clusters of partners.<sup>[23]</sup>

The Economic and Social Research Council (ESRC), the main funding body for the economic and social sciences in the UK, now places impact at the heart of its research requirement and actively encourages those seeking research funding to bring in philanthropic and private funding partners to maximise impact (see, for example, the case study of the Northern Rock Foundation below).

There is, however, a considerable gap between the priorities and requirements of the major research funding councils and the priorities of foundations aiming to make a tangible difference in areas of their work. Many foundations say that they prefer to work with private consultancies rather than academic researchers, because they can have greater control over research activities and deadlines. At a recent European Foundation Centre conference session on research, academics were in a tiny minority. Academics who succeed in acquiring philanthropic support often show little respect for their funders, in the belief that the intrinsic value of their work is what matters most. The door for philanthropic funders and donors to play a stronger part in influencing the research agenda and its outcomes is increasingly opening in the UK, but there is still a long way to go. This is not simply a matter of better communication of different partners around objectives, values and cultures of research, but of the way in which research funding in the UK is allocated with its strong bias towards academic peer review.

## 1.5 Funding for research and innovation

What is the place of foundations within the wider context for research and innovation in the UK?

The EU classes the UK as an ‘innovation follower’ and rates its overall performance in research and innovation<sup>[24]</sup> as ‘above average,’ with particular strengths in organic chemistry, biotechnology, pharmaceuticals, medical technology, high-value manufacturing, nanotechnology and digital technologies. In 2011 the UK invested 1.77 % of its GDP in research and development (down from 1.82 % in 2000). In 2010 its investment of 1.80 % of its GDP amounted to around EUR 33 billion. In this year 61 % of research and development was performed by business enterprises; 27 % by higher education; 9 % by government and 5 % by private nonprofit organisations.<sup>[25]</sup>

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23 Martina Garau, Arik Mordoh and Jon Sussex (2011) Exploring the Interdependency between Public and Charitable Medical Research: Report for Cancer Research UK (London: Office of Health Economics) <http://www.ohc.org/publications/article/exploring-the-interdependency-between-public-and-charitable-medical-research-6.cfm>

24 The EU uses a composite of 25 different indicators in 8 dimensions to measure performance.

25 Hugo Hollanders and Nordine Es-Sadki (2014) Innovation Union Scoreboard 2014 (Brussels: European Commission), Figures 3 and 17, pp 11, 23, 70 [http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014_en.pdf); European Commission (2013) Research and Innovation performance in United Kingdom: Country Profile (Brussels: European Commission), p 2 [http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/united\\_kingdom\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/state-of-the-union/2012/countries/united_kingdom_2013.pdf); Department of Business, Innovation and Skills (2011), Funding for EU Research and Innovation from 2014: A UK Perspective (London: BIS), 8-10 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32484/11-901-funding-eu-research-innovation-from-2014.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32484/11-901-funding-eu-research-innovation-from-2014.pdf)

The contribution of the nonprofit sector in the UK is partly due to the amount of funding provided by the Wellcome Trust, which is of a similar magnitude to that provided by the government-funded MRC, but this is a unique situation. The charitable spending of private grantmaking foundations in the UK today, from their private monies only, is equal to just 0.5 % of total UK government expenditure. The UK has a history of large charitable foundations giving considerable support to the development of academic knowledge, excellence, research and innovation for many years. It is these areas which have attracted the largest grants by amount, both capital and revenue, with funding often committed over many years.<sup>[26]</sup> Examples of major foundations in this field include the Wellcome and Leverhulme Trusts and the Gatsby, Nuffield and Wolfson Foundations. Many other foundations focus large slices of their funds on significant grants for the development of science and medicine – for example, the Maurice Wohl Clinical Neuroscience Institute at King’s College and the Smith School of Enterprise and the Environment at Oxford University.

Many large gifts continue to result from personal links, relationships and interests. Recent examples include the gift to the Royal College of Art from Sarabande, the trust established by the legacy of leading fashion designer Alexander McQueen, and JK Rowling’s gift for furthering the study of Multiple Sclerosis at Edinburgh University.

We have described the special government-backed matched funding scheme for higher education endowments above. Fundraising by the universities in the UK was traditionally low-key, but funding cuts and stricter controls introduced by government in the early 1980s, however, prompted universities to take accessing philanthropic funding more seriously. University fundraising became more professionalised and, with the expansion of fundraising teams and development offices, the Council for Advancement and Support of Education (CASE) was set up in the UK, modelled on the United States member body for university fundraisers.

The government has also offered incentives to build up fundraising capacity. In 2004 it set up a task force to look at increasing voluntary giving to higher education, which identified the need to develop fundraising skills and capacity.<sup>[27]</sup> The resulting capacity-building scheme for English universities operated for three years from 2006. It offered up to £125 000 for each year of the scheme, to be spent on fundraising activities, matched on a pound-for-pound basis against extra institutional spending on fundraising. In 2008 the government-backed matched funding scheme was launched, which raised £580 million through leveraged donations and matched grants over its three-year life. Data on philanthropic giving to universities were poor, and CASE joined forces with the Ross Group of development directors in major universities to carry out regular surveys of gifts among higher education institutions. HEFCE has also taken steps to improve the reporting of relevant statistics, and it made participation in the survey mandatory for HEIs that wanted to participate in the matched funding scheme. In 2011 152 institutions reported an aggregate £693 million

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26 Jeremy Vincent and Cathy Pharoah (2000) *Patterns of Independent Grant-Making in the UK: A survey of grants made by independent trusts and foundations* ('Dimensions 2000', vol.3; West Malling: Charities Aid Foundation).

27 Task Force on Voluntary Giving to Higher Education (2004), *Increasing voluntary giving to higher education: Task Force report to government [Thomas Report]* (Nottingham: DfES Publication Centre, 2004) <http://dera.ioe.ac.uk/17735/1/IncreasingVoluntaryGivingReport.pdf>

in gifts in the UK.<sup>[28]</sup> Foundations are major contributors to this figure and are likely to receive increased solicitation from the higher education sector for research and innovation and support.

## 1.6 Research and innovation foundations

There are no foundations in the UK dedicated to the funding of research and innovation per se, and research and innovation are not in themselves charitable objectives, though they may be included as part of the achievement of charitable objectives. Foundations which include the funding of research and innovation within their grants programs do not have a distinct character as compared with other foundations and do not form a separate sub-group. Size is an important factor, and some of the largest foundations, like Wellcome, Nuffield, Wolfson and Gatsby, play an important role in funding research outside, or in partnership with, the UK government research councils.

The background to, and reasons for, individual foundation ' involvement in research and innovation vary widely. For some such as the Wellcome Trust, which was created out of a pharmaceutical company as part of succession planning, the reason for research investment lies in their origins (in Wellcome's case as a pharmaceutical company). For others, like Barrow Cadbury and Joseph Rowntree, an ongoing interest in research stems from the role of the original founders as social reformers: the foundations were partly created to protect and extend their social reforms. Other foundations are prompted to do specific pieces of research when they find it would be helpful for the achievement of their charitable mission, while not necessarily valuing research as an end itself. There are also a number of foundations which support research and innovation because they have living donors with strong personal or business links to particular universities and research departments.

As they are not a distinct group, foundations involved in research and innovation face the same challenges around issues such as, for example, pay-out rates, investment policy and social justice as foundations generally. Grantmaking for research is largely concentrated in some of the large health and biomedical foundations, particularly the giant Wellcome Trust, and operating charities dedicated to raising funds for research in particular disease areas, such as diabetes and cancer. Although those involved in health and biomedical research are a mixed group of grantmaking and operating charities, they represent a charity sub-sector in so far as they have identified some common interests, particularly in the area of policy and legislation, and have formed their own member body, the AMRC.

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28 More Partnership (2012), Review of Philanthropy in UK Higher Education: 2012 status report and challenges for the next decade: Report to HEFCE (London: HEFCE) <http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2012/philanthropyinukhe/HEFCE%20Philanthropy%20Report.pdf>

# 2 Data Collection

*'We bring in research at different levels. We have supported sector-wide research. We contribute to national-level studies, and we also do some very specific local research to help develop the way in which local services are provided. We use research as a tool, but it does not have a dedicated budget with the foundation.'*  
*(Foundation interviewee)*

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## 2.1 The identification of foundations that support research and innovation

As previously mentioned, there is no database of UK foundations – grantmaking, operating or both – which supports research and innovation. Even where foundations support a considerable and varied amount of research activity, it cannot be assumed that they are dedicated to research or even include research in their charitable mission, as the quotation above illustrates. Using published directories and our own knowledge of foundations and operating charities, based on more than twenty years of research and publication in this field, we constructed the survey sample by identifying those foundations known for supporting research, or whose support for research appeared to represent a large proportion of activity, or which mentioned research in their broad charitable objectives or recorded some research grants in recent annual reports and accounts. This search resulted in a sample of 234 foundations which potentially supported research and innovation. We did not anticipate that all or even most were dedicated and consistent supporters of research and innovation and therefore likely to respond to this survey. For example, one foundation said it had ceased funding research recently, because of insufficient resources.

## 2.2 The survey

### 2.2.1 The process

In order to publicise the survey we provided articles in the newsletter of the Association of Charitable Foundations, which is sent out to over 300 foundation members; the newsletter of the Centre for Charitable [not hyphenated] Giving and Philanthropy (CGAP), which reaches a mixed charitable audience of around 600; and the magazine 'Alliance', which reaches a wide international audience of foundations. In April 2013 Vrije Universiteit (VU) sent an invitation by email or post to all the 234 foundations which had

been identified in the UK as potential respondents, asking them to participate in the survey. They could take part through either a web-based survey or a paper questionnaire. In September, to maximise response rates, the UK team emailed non-respondents and asked them to fill in a short version of the survey prepared by VU. We supplemented these emails with direct contact with some of the larger foundations. We also updated foundations about the progress of the survey through the CGAP newsletter.

### 2.2.2 Response rates

By November 2013 we had gathered information from 79 respondents, an overall response rate of 34 %. Of these, 20 provided non-valid responses either through informing us that they did not support research and innovation or through a ‘no’ response to the initial filter question in the survey, which asked if they supported research and innovation. We obtained 57 valid responses,<sup>[29]</sup> and we used published reports and accounts to create responses for two important foundations known to support research and innovation – which gave us responses for 25 % of surveyed foundations. Fifty responses were in the long-form format (including the two created responses), and nine were in the short-form format. Due to logging-in problems, four respondents were unidentifiable (of which three used the short-form format).

**Table 2: Summary of responses to EUFORI survey by foundations in the UK, 2013**

<b>Respondents invited to participate</b>	<b>234</b>
<b>Non-valid responses</b>	<b>20</b>
Email or telephone communication	9
No response to Q1	11
<b>Valid responses</b>	<b>59</b>
Responses in long-form format	48
Responses in short-form format	9
Responses created from published reports and accounts	2
Overall response rate	34 %
Valid response rate	25 %

### 2.2.3 Quality of data

Overall the data we obtained were patchy in coverage (with some questions prompting few responses) and often poor in quality. This may have been due in part to the wide range of subjects covered by and the degree of detail required in the long-form survey. Some respondents said they did not have the time or the resources to provide all of the required information.

Our initial efforts to clean the data in preparation for analysis indicated missing figures, figures which did not correspond to the published annual accounts from which they were allegedly drawn, figures incorrect

29 One foundation provided two separate responses, and we used these to create a single composite response.

by a factor of a thousand or even a million (which reflected the way in which the accounts of larger foundations drop zeroes for the sake of clarity), and figures in later questions inconsistent with those provided in the key questions on income, assets and expenditure.

As a result, we carried out a full verification and validation of data for 56 of the 57 respondents based in England and Wales through information easily accessible on public websites, including that of the Charity Commission. This process substantially increased the coverage and accuracy of the data. For example, we provided validated information about income in 31 cases; on assets in 40 cases; and on expenditure in 38 cases, and then recalculated the derived data in later questions.

For verification and validation in the case of 55 foundations that were identifiable (or 93 % of respondents) we used accounts drawn from financial years indicated by respondents or identified by ourselves. These included 21 calendar years (used by 38 % of respondents) – 2011, used by three; and 2012, used by 18 – and 34 multiple-year financial years, mainly the UK government financial year of April to March (used by 62 % of respondents) – 2011/12, used by 23; and 2012/13, used by 11.

The use of questions to be answered not by all respondents but by subsets of respondents reduced the number of respondents eligible to respond and had an impact on the viability of data. In these circumstances we have taken a rough-and-ready approach to reporting findings. We have reported findings in cases where the proportion of respondents providing valid responses to a question was greater than half of all respondents and where the proportion of respondents providing valid responses to a question was greater than half of respondents eligible to answer that question. Where one but not both of these conditions were met, we provided a warning or caution about the quality of the findings. Where both of these conditions were not met, we did not report findings.

There are no data on the population of foundations that support research and/or innovation. However, we have captured a large proportion of foundations' total expenditure, including that of the main research funders. Over half of the respondents were listed by Charity Market Monitor 2011 as being in the 'top 500 independent trusts selected by grantmaking expenditure,' which together represent just 0.6 % of the charity sector by number and around 90 % by income.<sup>[30]</sup> Several are in the top 10. The 49 respondents based in England and Wales for which data on income are available accounted for 4.8 % of the income of charities regulated by the Charity Commission.<sup>[31]</sup>

## 2.3 The interviews and other qualitative information

### 2.3.1 The approach

The aims of the qualitative element of the study were to provide information on the context within which foundations support research and innovation; to illuminate survey findings; and to identify examples of best practice.

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30 Pharoah (2011) and Charity Commission, Sector facts and figures, 31 December 2013 (webpage) <http://www.charitycommission.gov.uk/search/?q=Facts+and+Figures> [calculations by the authors].

31 Charity Commission [calculations by the authors].

We took a relatively open approach to designing interview samples and topics in line with EUFORI's suggested methodology of allowing individual countries freedom to identify and explore important contextual issues. As there has already been considerable development in the UK in the last few years around the HEIs-foundation interface as well as the promotion of engagement between research and practice/policy fields, we felt that it was useful to aim for a balanced set of perspectives, include a mix of foundation and non-foundation stakeholders, and scrutinise emerging literature in the field.

Quotations from the interviews have been inserted into the report on the quantitative survey where they illustrate key perspectives on specific survey questions, and an overview of the results of the qualitative work is presented in Section 3.8.

### **2.3.2 Interviews, meetings and informants**

As part of the qualitative work we carried out eight interviews with key informants – four senior staff of foundations of different sizes and fields of activity, two former university development officers with responsibility for fundraising, a representative of a foundations' infrastructure body, and a senior public sector executive who is a board member of various higher education funding bodies and universities. In addition, we attended a meeting of government with leading medical research charities and foundations to discuss the respective roles of government and nonprofit organisations in research and funding for transnational research.

### **2.3.3 Research questions and themes**

While we used a set of core interview topics, we tailored interview schedules to encompass the specific experiences of individual foundation and other stakeholders. We covered a number of key topics:

- the importance and priority of research and innovation within foundations' overall funding
- the nature of and rationale for funding and operating partnerships/collaborations/co-investments
- how foundations work with government and other funders of research and innovation and the
- particular role and rationale of foundations' contribution
- the value and influence of financial incentives such as tax or matched funding programs
- the purpose of funding – for example, pure research, applied research, dissemination, product development, education and training, innovation or enterprise development
- the geographical focus of funding for research and/or innovation, whether local, national, European or international
- types of impact sought and degree of satisfaction achieved with funding for research and/or
- innovation
- barriers to foundations' funding of research and/or innovation and prospects for the future.

# 3 Results

## 3.1 Types of foundations

### 3.1.1 Respondents' support for research and/or innovation

*'As in everything else we do, research is a means to an end. It has a role in social change, and if we need an evidence base to achieve this, we commission it.*

*We are naturally a foundation that funds research.*

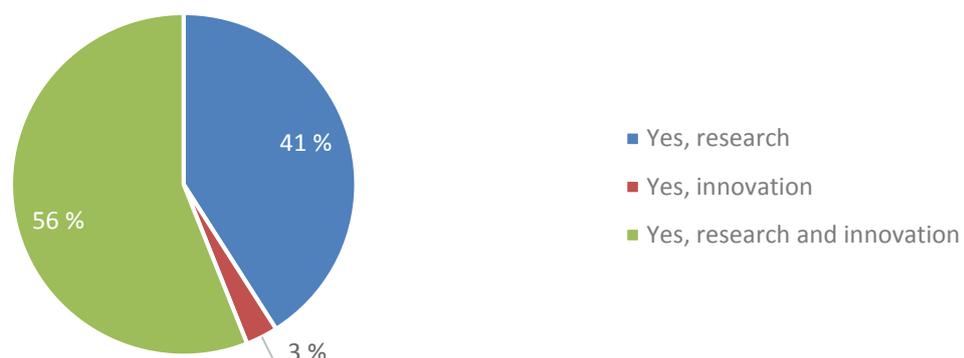
*It is powerful in advancing general action.'*

*(Foundation interviewee)*

All respondents provided information about whether they supported research, innovation or both. Of these, two fifths stated that they supported research only; around a twentieth, innovation only; and less than three fifths, both research and innovation. Overall, then, 57 (or 97 %) stated that they supported research; and 35 (or 59 %), that they supported innovation.

**Figure 2: Types of foundation; research and/or innovation, 2013**

As a percentage of foundations that provided information about support for research and/or innovation (N = 59)



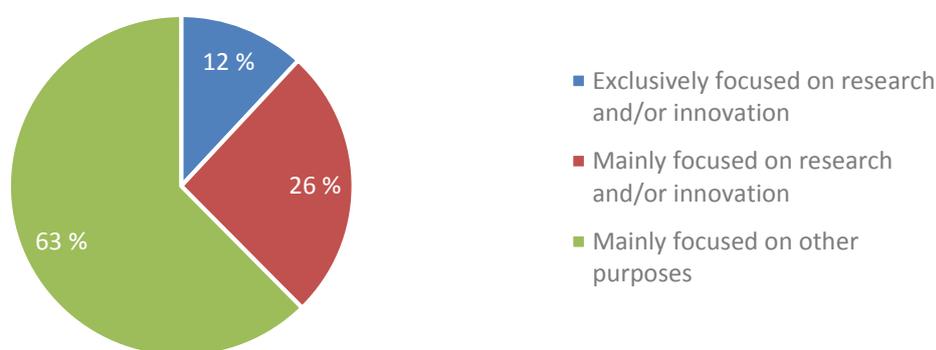
Because of discrepancies in responses to questions asking about support for research and/or innovation in general and those asking for detailed information about the nature and quantity of that support, some findings – especially those about support for innovation – should be treated with caution. The survey's guidance for respondents defined innovation in relation to market-based economic activity, 'the introduc-

tion to the market of a new product, methodology, service and/or technology or a combination of these aspects,' and thus may have discouraged from providing information those who did not view their foundations' mission and purpose in terms of the market.

Forty-three foundations provided information about the proportion of their total expenditure that they allocated to research and/or innovation. Of these an eighth focused exclusively on research and/or innovation and allocated all their expenditure to this purpose; a quarter focused mainly on research and/or innovation and allocated between 50 and 99 %; and more than three fifths focused mainly on other purposes and allocated less than 50 %.

### Figure 3: Types of foundation according to purpose, 2013

As a percentage of foundations that provided information about amount of expenditure allocated to research and/or innovation (N = 43)



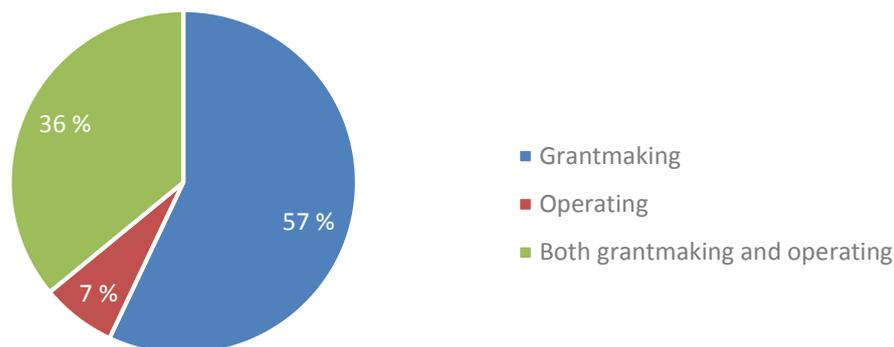
Percentages add up to > 100 % due to rounding

### 3.1.2 Core activities

Fifty-eight foundations (or 98 % of respondents) specified whether they were grantmaking foundations, operating foundations, or both grantmaking and operating foundations. Of these less than three fifths stated that they were grantmaking only; around a twentieth, operating only; and more than a third, both grantmaking and operating. Overall, then, 54 (or 93 %) stated that they were grantmaking foundations; and 25 (or 43%), that they were operating foundations.

### Figure 4: Types of foundation; grantmaking versus operating, 2013

As a percentage of foundations that provided information about core activities (N = 58)

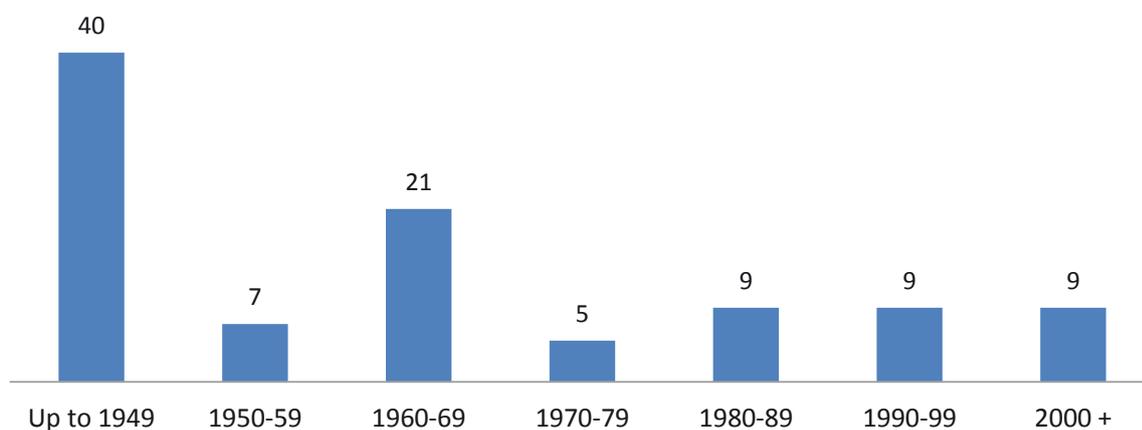


### 3.1.3 Year of establishment

Forty-three foundations (or 73 % of respondents) provided information about when they were established. Of these two fifths were established before 1950, including one in the sixteenth century and one in the seventeenth century; half between 1950 and 1999; and a tenth, since 2000.

**Figure 5: Types of foundation according to year of establishment, 2013**

As a percentage of foundations that provided information about year of establishment by decade (N = 43)



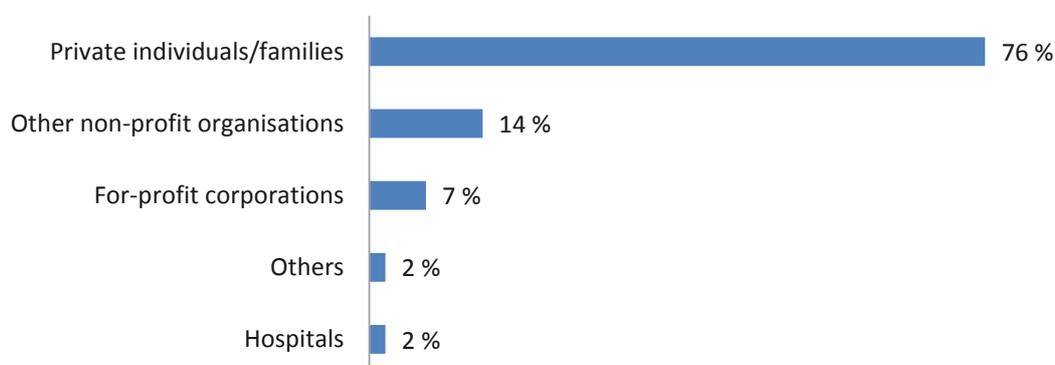
## 3.2 Origin of funds

### 3.2.1 Financial founders

Forty-two foundations (or 71 % of respondents) provided information about their financial founders. Of these 41 (or 98 %) indicated that they had a single type of founder, while one (or 2 %) indicated that it had two. Three quarters had founders that were private individuals or families; a seventh, other nonprofit organisations; and the remainder, a mix of for-profit corporations, hospitals and others. None had founders that were universities, research institutes or government bodies.

**Figure 6: Financial founders, 2013**

As a percentage of foundations that provided information about financial founders (N = 42)



Percentages add up to > 100 % due to multiple responses

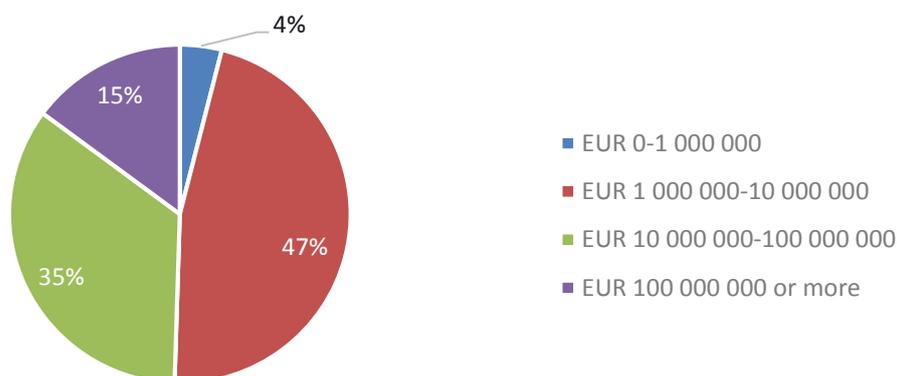
### 3.2.2 Total income

Fifty-five foundations (or 93 % of respondents) provided information about their income ('total incoming resources'), which collectively amounted to EUR 2 948 332 295.

Half of these respondents had incomes of EUR 10 million or less; more than a third, incomes of between EUR 10 million and EUR 100 million; and a seventh, incomes of EUR 100 million or more.

**Figure 7: Total income according to category in Euros, 2013**

As a percentage of foundations that provided information about amount of income (N = 55) \*



Statistics income	
Number of foundations	55
Mean in Euros	53 606 042
Median in Euros	9 150 000
Total income in Euros	2 948 332 295

Percentages add up to > 100 % due to rounding

### 3.2.3 Sources of income

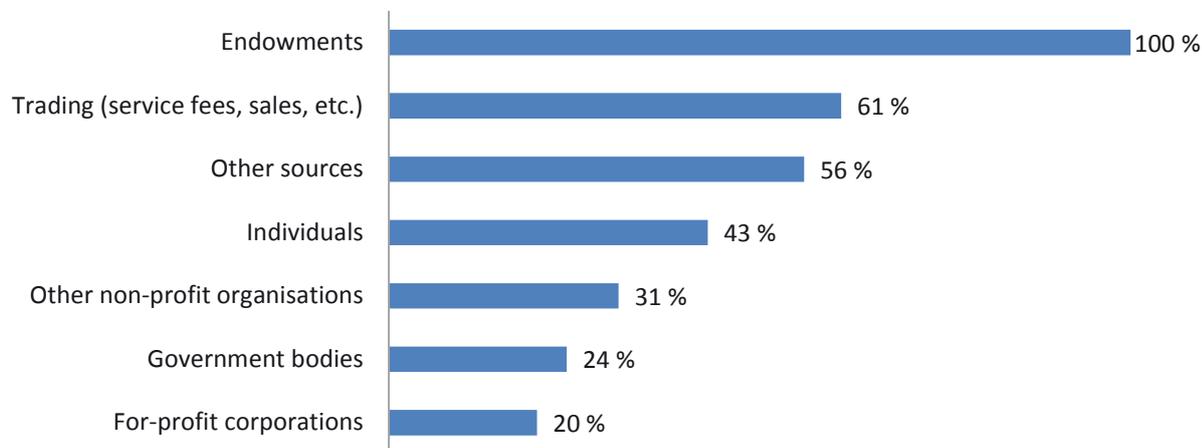
Fifty-four foundations (or 98 % of those that reported the amount of their income and 92 % of all respondents) provided information about the sources of their income, which collectively amounted to EUR 2 944 008 072, or 99.9 % of the total income reported above.

These respondents reported multiple sources of income, on average 3.3. As the sample in the UK consisted mainly of grantmaking foundations with independent incomes and few operating and fundraising organisations, it was not surprising to find that the most frequently-received source of income was endowments (interest, dividends, capital gains), reported by all; followed by trading income (services, fees, sales), reported by three fifths; other sources, reported by less than three fifths; individuals (donations, legacies, etc.), reported by more than two fifths; other nonprofit organisations, reported by less than a third; government bodies (EU, national, regional and local bodies bodies), reported by a quarter; and for-profit corporations, reported by a fifth. Because of the way in which foundations report income in their

annual reports and accounts, we have used 'other' as a catch-all category for income that could not be accurately allocated by source – for example, 'voluntary income,' 'appeals,' 'donations,' 'gifts' and 'sponsorship' etc.

**Figure 8: Sources of income, 2013**

As a percentage of foundations that provided information about amount of income by source (N = 54)

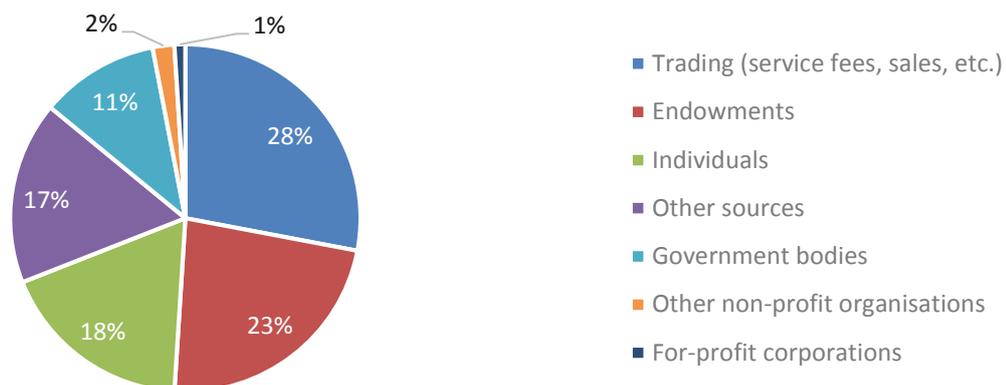


Percentages add up to > 100 % due to multiple responses

These respondents also reported that the most valuable source of income was trading income, which accounted for nearly three tenths of the amount of income reported by source; followed by endowments, which accounted for nearly a quarter; individuals and other sources, which accounted for a sixth each; government bodies, which accounted for a tenth; and other nonprofit organisations and for-profit corporations, which accounted for the remainder.

**Figure 9: Sources of income, 2013**

As a percentage of amount of income by source (N = 54)



Sources of income	Amount of income (Euros)
Trading (service fees, sales, etc.) (N = 33)	831 460 943
Endowments (N = 54)	691 094 191
Individuals (N = 23)	525 774 120
Other sources (N = 30)	486 253 043
Government bodies (N = 13)	314 418 024
Other non-profit organisations (N = 17)	62 281 013
For-profit corporations (N = 11)	32 726 737
Unknown	4 324 223
<b>Total income</b>	<b>2 948 332 295</b>

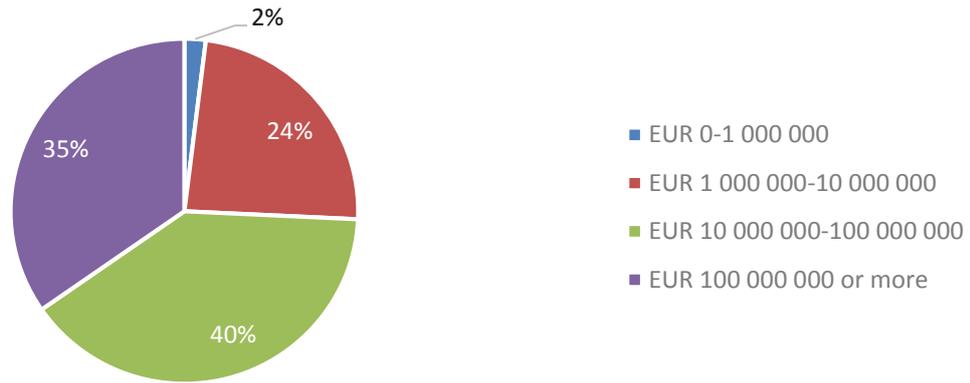
### 3.2.4 Total assets

Fifty-five foundations (or 93 % of respondents) provided information about their assets ('total funds' or 'funds – balance carried forward'), which collectively amounted to EUR 32 316 195 960.

A quarter of these respondents had assets of EUR 10 million or less; two fifths, assets of between EUR 10 million and EUR 100 million; and more than a third, assets of EUR 100 million or more.

### Figure 10: Total assets according to category in Euros, 2013

As a percentage of foundations that provided information about amount of assets (N = 55)



Statistics assets	
Number of foundations	55
Mean in Euros	587,567,199
Median in Euros	42,190,645
Total assets in Euros	32,316,195,960

Percentages add up to > 100% due to rounding

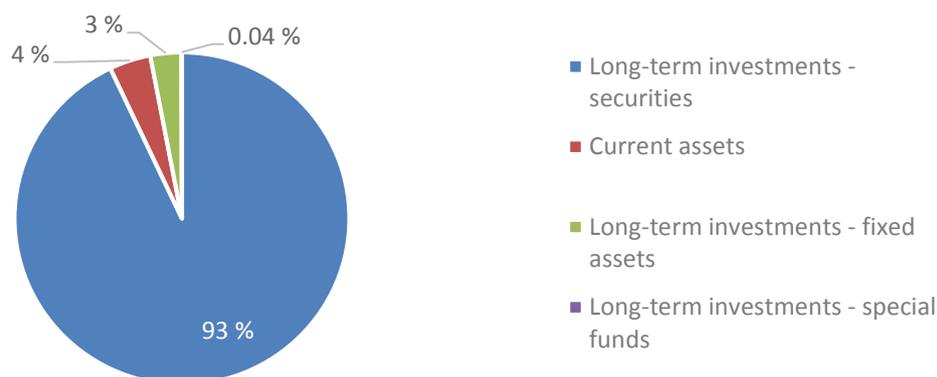
### 3.2.5 Sources of respondents' assets

Twenty-nine foundations (or 53 % of those that reported the amount of their assets and 49 % of all respondents) provided information about the sources of their assets, which collectively amounted to EUR 12 499 574 329 or only 39 % of the total assets reported above.

These respondents reported that the most valuable assets were long-term investments in securities, which accounted for more than nine tenths of the amount of assets reported by source.

**Figure 11: Distribution of assets, 2013**

As a percentage of amount of assets by source (N = 29)



Distribution of assets	Assets (Euros)
Long-term investments – securities (N = 27)	11 620 455 785
Current assets (N = 28)	469 428 259
Long-term investments – fixed assets (N = 16)	405 300 042
Long-term investments – special funds (N = 1)	4 390 244
Unknown	19 816 621 631
<b>Total assets</b>	<b>32 316 195 960</b>

Because of the format in which foundations in the UK report assets in their annual reports and accounts, it was particularly difficult for them to provide this information. Only those respondents that had simple accounts that did not make deductions for creditors (mainly those reliant on income from long-term investments in securities) were in a position to answer this question. Given this bias and the small proportion of total assets covered by responses to this question, these findings should be treated with caution.

## 3.3 Expenditure

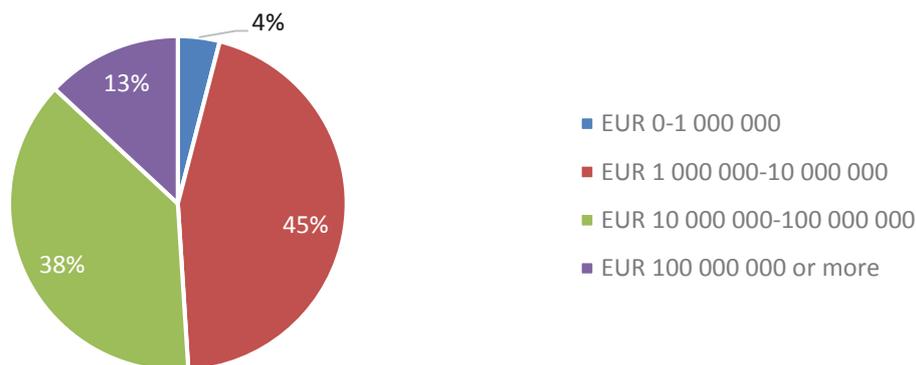
### 3.3.1 Total expenditure

Fifty-five foundations (or 93 % of respondents) provided information about their expenditure ('total resources expended'), which collectively amounted to EUR 3 890 601 965.

Half of these respondents had expenditure of EUR 10 million or less; around two fifths, expenditure of between EUR 10 million and EUR 100 million; and an eighth, expenditure of EUR 100 million or more.

**Figure 12: Total expenditure according to category in Euros, 2013**

As a percentage of foundations that provided information about amount of expenditure (N = 55)



Statistics expenditure	
Number of foundations	55
Mean in Euros	70 738 218
Median in Euros	10 373 170
Total expenditure in Euros	3 890 601 965

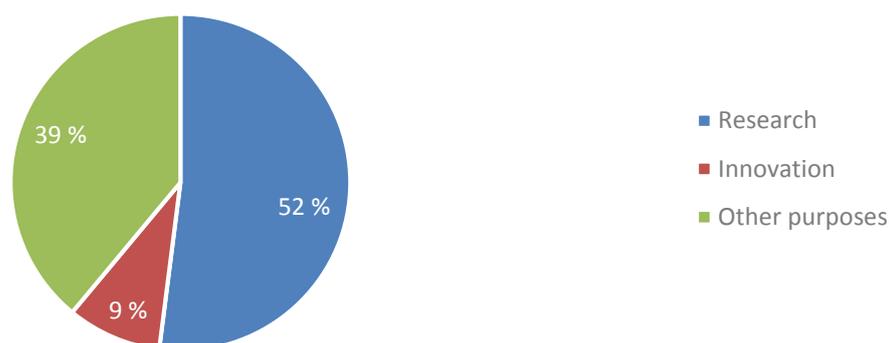
### 3.3.2 Expenditure on research and/or innovation

Forty-two foundations (or 76 % of respondents that provided information about the amount of their expenditure and 71 % of all respondents) provided information about the amount of expenditure allocated to research, innovation and other purposes. This collectively amounted to EUR 2 714 639 927 or 70 % of the total expenditure reported above.

These respondents allocated around half of the amount of expenditure reported by type to research; a tenth to innovation; and two fifths to other purposes.

**Figure 13: Distribution of total expenditure according to research, innovation and other purposes, 2013**

As a percentage of amount of expenditure by type (N = 42)



Expenditure	Amount (Euros)
Research (N = 40)	1 407 755 731
Innovation (N = 12)	254 761 313
Other purposes (N = 38)	1 052 122 883
Unknown	1 175 962 038
<b>Total expenditure in Euros</b>	<b>3 890 601 965</b>

### 3.3.3 Expenditure on direct research and research-related activities

Twenty-five foundations (or 63 % of respondents that provided information about the amount of their expenditure on research and 42 % of all respondents) provided information about the allocation of this expenditure to direct research and research-related activities.<sup>[32]</sup> Their total reported expenditure amounted to EUR 838 368 849 or 60 % of the total expenditure on research reported above.

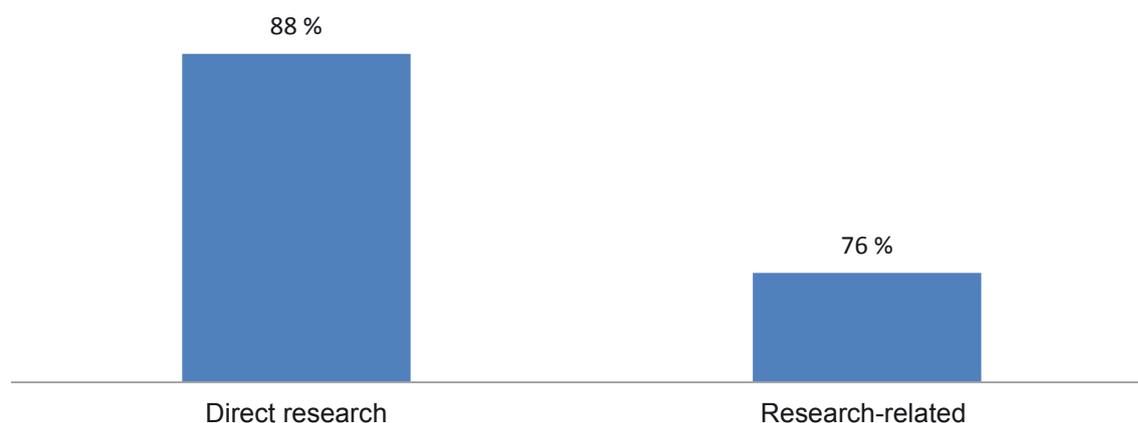
These respondents allocated nine tenths to direct research and the remainder to research-related activities.

Because of the small number of respondents, these findings should be treated with caution.

<sup>32</sup> Defined to include ‘support for projects/programmes on researcher mobility (career structure and progression), knowledge transfer (including intellectual property rights/patents), civic mobilisation or advocacy (trying to change social opinions and/or behaviours regarding science, including promoting science-related volunteering, or promoting researchers’ rights and social status), infrastructure (laboratories, research centres, pilot or demo plants), dissemination of research (seminars, conferences, etc.) and science communication (museums and science parks).’

**Figure 14: Distribution of expenditure to direct research vs research-related activities, 2013**

As a percentage of foundations that provided information about amount of expenditure allocated to research (N = 25)



Distribution of expenditure to research	Amount (Euros)
Direct research (N = 22)	740 630 742
Research-related (N = 19)	97 738 107
Unknown	569 386 882
<b>Total expenditure</b>	<b>1 407 755 731</b>

Percentages add up to > 100 % due to multiple responses

### 3.3.4 Changes in expenditure on research and/or innovation over time

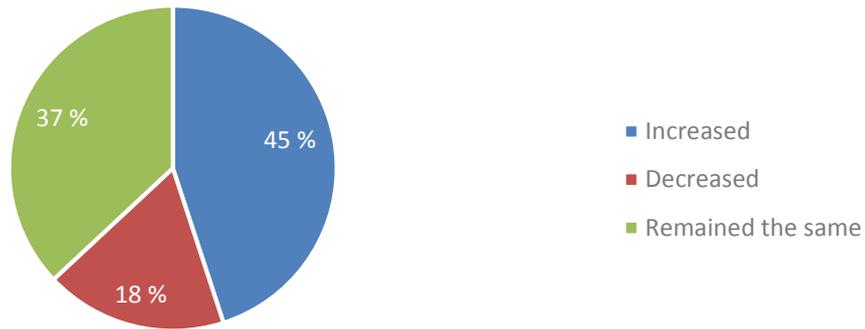
Thirty-eight foundations (or 90 % of respondents that provided information about the amount of their expenditure on research and/or innovation and 64 % of all respondents) gave a rough estimate of changes in this expenditure since the last financial year. Of these more than two fifths stated that it had increased; around a fifth, that it had decreased; and less than two fifths, that it had remained the same.

Twenty-eight foundations (or 67 % of respondents that provided information about the amount of their expenditure on research and/or innovation and 48 % of all respondents) also gave a rough estimate of changes in this expenditure likely to take place in the next financial year. Of these a quarter stated that it was likely to increase; a tenth, that it was likely to decrease; and less than two-thirds, that it was likely to stay the same.

Overall, then, respondents anticipated that future expenditure was less likely to increase and more likely to stay the same – a realistic response to the current financial crisis.

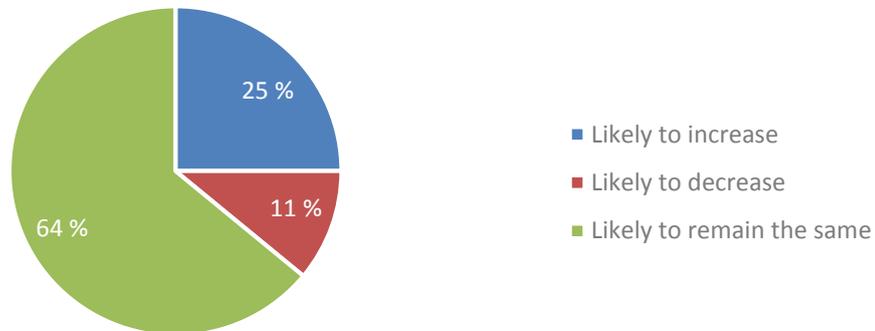
**Figure 15: Changes in expenditure on research and/or innovation last year**

As percentage of foundations that provided information about amount of expenditure allocated to research and/or innovation and expressed views (N = 38)



**Figure 16: Changes in expenditure on research and/or innovation next year**

As percentage of foundations that provided information about amount of expenditure allocated to research and/or innovation and expressed views (N = 28)



## 3.4 Focus of support

### 3.4.1 Beneficiaries

*‘The universities can play a strong role in helping to build growth and innovation, particularly at a regional level, and the government is right to encourage philanthropic funders to invest in these if the institution can deliver. The government’s matched endowment scheme for gifts to universities is very important.’*  
*(Public sector interviewee)*

*We are keen to preserve our independence.*

*We can bring long-term perspectives, and because we are independent, we are not linked with commercial interests.'*

*(Foundation interviewee)*

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*'The Research Council wants to see foundations and industry collaborate more. A specific funding stream is needed to help foundations and non-profit organisations collaborate more with industry and share best practice.'*

*(Foundation interviewee)*

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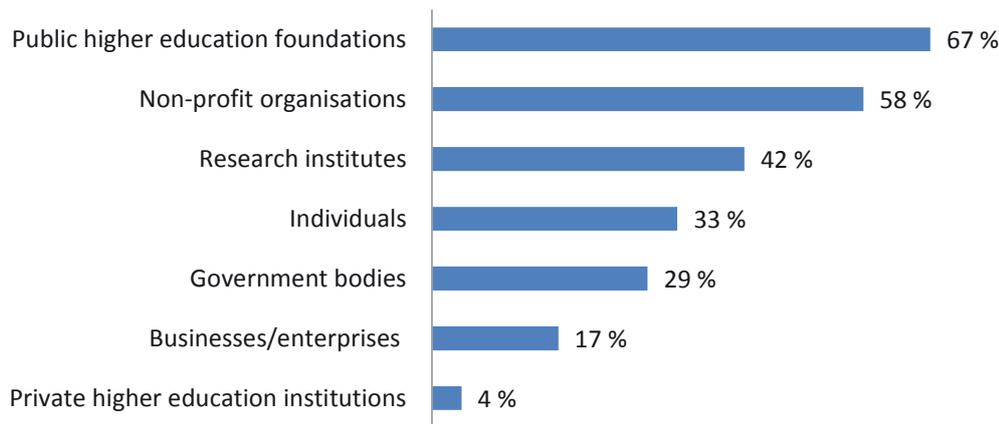
Twenty-four foundations (or 67 % of respondents that provided information about the amount of their expenditure on research and/or innovation in the form of grants and 41 % of all respondents) provided information about beneficiaries.

The finding that two thirds of these respondents provided grants to public higher education foundation is consistent with the contextual material on the growing importance of philanthropic funding for research and innovation to the UK's universities and universities' increasing investment in fundraising. Nearly three fifths was awarded to other non-profit organisations; around two fifths, to research institutes; a third, to individuals; three tenths, to government bodies; a sixth, to businesses/enterprises; and the remainder, to private higher education institutions.

Because of the small number of respondents, these findings should be treated with caution.

### Figure 17: Beneficiaries, 2013

As a percentage of foundations that provided information about amount of expenditure allocated to research and/or innovation in the form of grants (N = 24)



Percentages add up to > 100% due to multiple responses

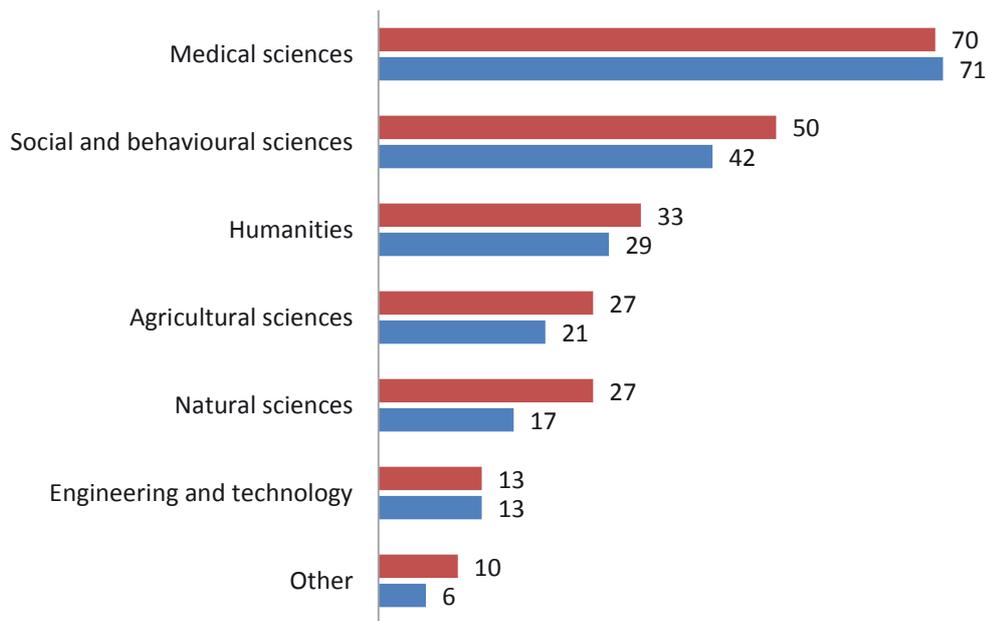
### 3.4.2 Research areas

Forty-eight foundations (or more than 100 % of respondents that provided information about their expenditure on research and 81 % of all respondents) provided information about allocation of this expenditure to different fields in the current year. In addition 30 foundations (or 73 % of respondents that provided information about their expenditure on research and 51 % of all respondents) provided information about allocation of this expenditure to different fields in the years 2005-11.

These respondents reported that they had allocated expenditure among multiple fields of research in both time periods – on average 2.0 in the current year and 2.3 in previous years. Reflecting the strong bias which emerged in the sample of research foundations towards organisations working in health and biomedical areas, it was found that the most common field was medical science, supported by seven tenths; followed by social and behavioural science, humanities, agricultural science, natural science, engineering and technology and others. Research is a specialised activity, and there was, in general, consistency in respondents' support for these fields over time.

**Figure 18: Research areas, 2013**

As a percentage of foundations that provided information about expenditure allocated to research by field (N = 48 in current year and 30 in last five years)



Percentages add up to > 100 % due to multiple responses

Twenty-four foundations (or 60 % of respondents that provided information about the amount of their expenditure allocated to research and 32 % of all respondents) provided information about the amount of expenditure allocated to different fields, which amounted to EUR 221 118 790 or only 16 % of the total expenditure on research reported above. They allocated nearly all of this expenditure to the field of medical sciences.

Given the small proportion of expenditure covered, we have not reported these findings in detail.

### 3.4.3 Research-related activities

*'The main research foundations and charities in the field of health and bio-medical issues often work together and do constitute an R & I sub-sector, particularly around translational relationships like public engagement, science teaching, the patient voice and e-health.'*  
*(Foundation interviewee)*

Nineteen foundations (or 100 % of respondents that provided information about expenditure allocated to research-related activities and 41 % of all respondents) provided information about allocation of this expenditure to different activities in the current year. In addition, 30 foundations (or more than 100 % of

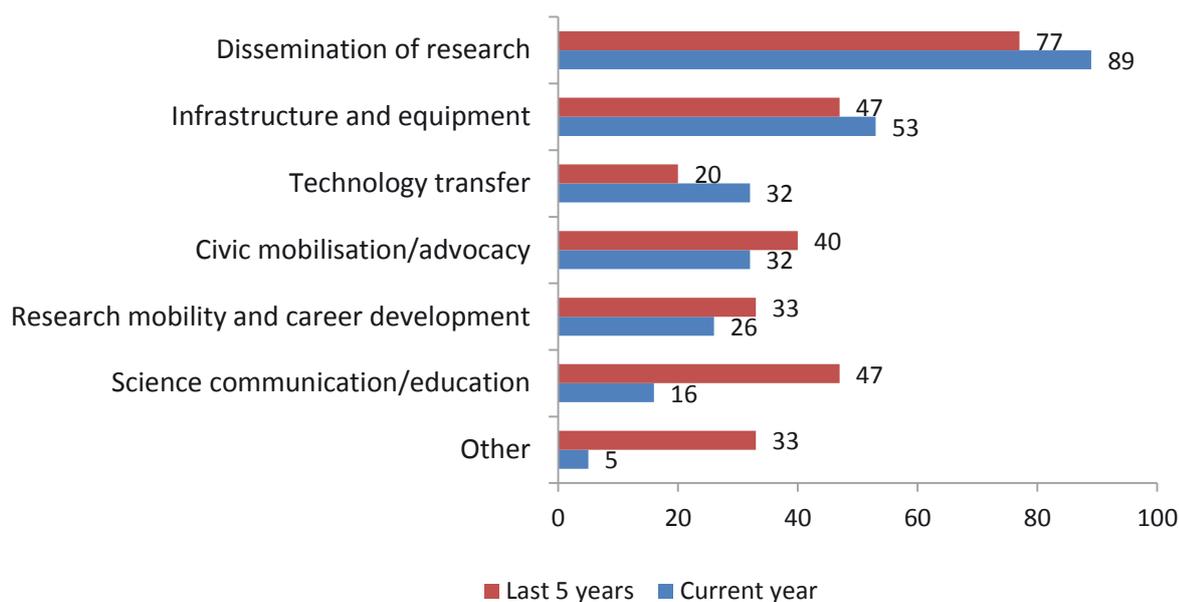
respondents that provided information about current expenditure allocated to research-related activities and 51 % of all respondents) provided information about the allocation of this expenditure to different activities in the years 2005-11.

These respondents reported that they had allocated expenditure among multiple activities in both time periods – on average 2.5 in the current year and 2.7 in previous years. They reported that the most popular research-related activity supported was the dissemination of research (including seminars, conferences and/or publications), followed by infrastructure and equipment (including laboratories and research centres); and then technology transfer (including intellectual property and rights/patents).

Given the small number of respondents that answered this question for the current year, the discrepancy in the numbers of respondents that answered this question in current and past years and the focus of the question on the sciences (for example, ‘science communication/education’ and the definition of ‘civic mobilisation/advocacy’) rather than on other fields, these findings should be treated with caution.

**Figure 19: Research-related activities in current and previous (2005-11) years, 2013**

As a percentage of foundations that provided information about expenditure allocated to research-related activities (N = 19 in current year and 30 in last five years)



Percentages add up to > 100 % due to multiple responses

## 3.5 Geographical dimensions of activities

### 3.5.1 Geographical focus of activities

*We fund some very local research studies as well as national ones. Local research helps the organisations that we fund locally to talk to service providers, to influence the local agenda. It's straightforward for us to provide the evidence because we are independent.*

*For other partners it's harder, and sometimes they sit on the results. We get very positive feedback about the impact of local research.'*

*(Foundation interviewee)*

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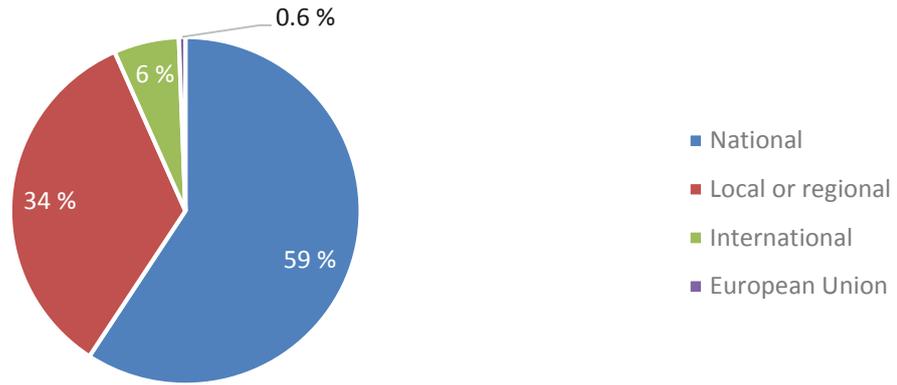
Thirty-one foundations (or 74 % of respondents that provided information about their expenditure on research and/or innovation and 53 % of all respondents) provided information about the allocation of this expenditure at different geographical levels. This amounted to EUR 243 819 669 or only 15 % of total expenditure on research and/or innovation reported above.

Little has been known about the geographical distribution of support for research and innovation, and it is interesting to note that respondents allocated three fifths of their expenditure for these purposes at national level; one third, at local or regional levels; and the remainder, at international and European levels. As one of the interviewees noted, higher education institutions can play an important role in regenerating local economies, and foundations can support this through local grantmaking.

Given the small proportion of total expenditure on research and/or innovation covered by responses to this question, these findings should be treated with caution.

**Figure 20: Geographical focus of support for research and/or innovation, 2013**

As a percentage of amount of expenditure allocated to research and/or innovation by geographical level (N = 31)



Geographical level	Amount (Euros)
National level (N = 24)	143 803 769
Local or regional level (N = 8)	83 016 151
International level (N = 11)	15 650 278
European level (N = 1)	1 349 471
Unknown	1 418 697 375
<b>Total expenditure</b>	<b>1 662 517 044</b>

### 3.5.2 Views on the role of the European Union

*‘At the EU level the foundation frequently responds to policy consultations. We access EU funds, but there is a huge level of bureaucracy attached to these, setting up research collaborations. Some European directives do not consult widely enough. For example, health and safety directives around power and telecommunications did not look at implications for staff involved in MRI scanning. The clinical trials directive has been updated but missed out the academic sector until too late.’*

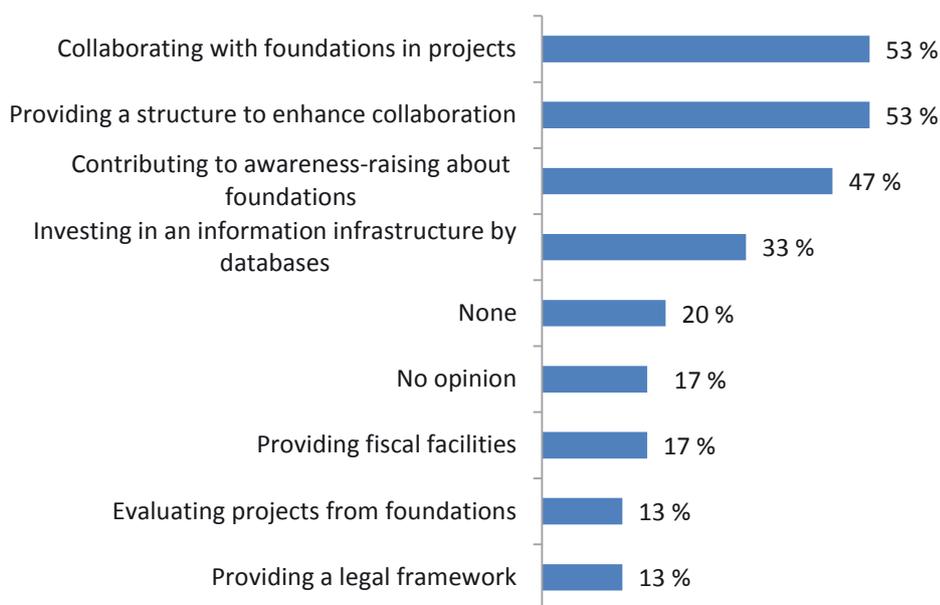
*(Foundation interviewee)*

Although few respondents had funded research and/or innovation in the EU, 30 (or 51 % of all respondents) answered the question on the role of the EU. Of these, one sixth had no opinion, and a fifth stated

that it should have no role. Over half supported its role in collaborating with foundations in projects and providing a structure to enhance collaboration, respectively; less than half, in contributing to awareness-raising about foundations; a third, in investing in an information infrastructure; a sixth, in providing fiscal facilities; and a seventh, in evaluating projects from foundations and providing a legal framework, respectively. In sum, the respondents were in favour of a soft role for the EU as a facilitator of collaboration and joint working rather than a hard role as a regulator.

**Figure 21: Role of the European Union, 2013 (%)**

As a percentage of foundations that answered question (N = 30)



Percentages add up to > 100 % due to multiple responses

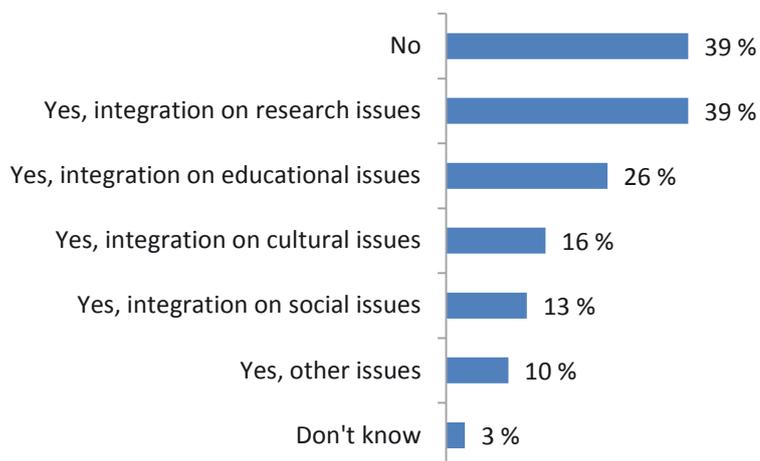
### 3.5.3 Views on the contribution of activities to European integration

*‘Structures for working at European level are often felt to be inaccessible and labyrinthine, and the value of working at this level is not always perceived.’*  
*(Foundations’ infrastructure body)*

Thirty-one foundations (or 53 % of all respondents) answered the question on whether their activities contributed to European integration. Two fifths said that they did not know or that their activities did not contribute. Two fifths said that they contributed to integration on research; a quarter, to educational issues; a sixth, to cultural issues; an eighth, to social issues; and a tenth, to other aspects of integration.

## Figure 22: Contribution to European integration, 2013

As a percentage of foundations that expressed views (N = 31)



Percentages add up to > 100 % due to multiple responses

## 3.6 Respondents' operations and practices

### 3.6.1 Operations and practices for research and/or innovation

*'It's not just about giving funding but also about giving skills, putting people into projects to help bridge the divide between industry and academics.'*

*(Foundation interviewee)*

Thirty-four foundations (or 94 % of respondents that provided information on the amount of their expenditure on research and/or innovation in the form of grants and 58 % of all respondents) provided information about their 'daily practice' with regard to this expenditure.

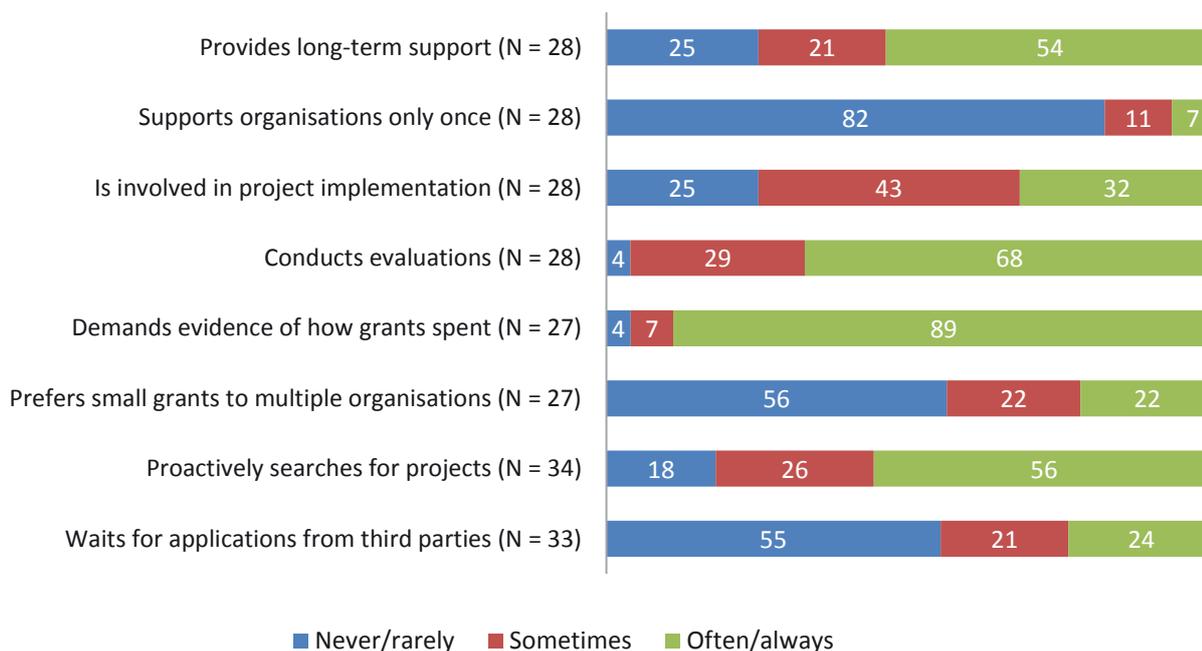
Most respondents:

- proactively searched for projects rather than reactively waited for applications from organisations or projects
- preferred to provide 'large' grants to a few organisations or individuals rather than 'small' grants to many organisations or individuals
- preferred to support organisations on a long-term rather than a one-off basis
- required evidence of how grants were spent or conducted evaluations themselves.

These respondents' views were mixed in the case of their involvement in project implementation, with a quarter involved 'never' or 'rarely'; more than two fifths involved 'sometimes'; and a third involved 'often' or 'always'.

**Figure 23: Daily practices of grantmaking foundations, 2013**

As a percentage of foundations that provided information about amount of expenditure allocated to research and/or innovation in the form of grants and expressed views (N = 27-34)



Percentages for 'conducts evaluations' add up to > 100% due to rounding

**3.6.2 Engagement in partnerships**

*‘We work closely with other funders in similar fields, involving joint funding of research and innovation and to create a strategic forum. It’s about rolling out a strategy underpinned by good quality research.’*  
 (Foundation interviewee)

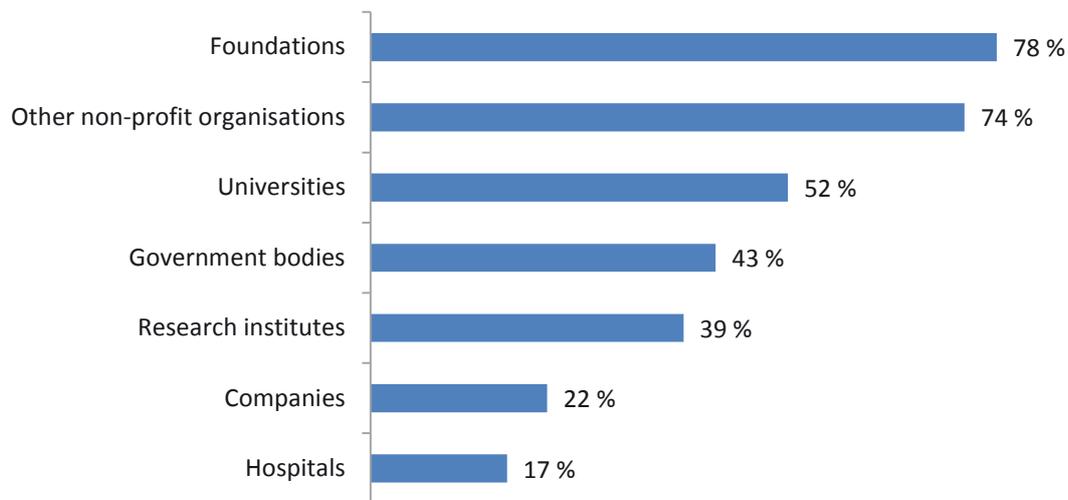
*‘The government and the foundation each think they leverage funding from the other. Foundations can do their bit, but government has to remain a significant funder.’*  
 (Foundation interviewee)

The strong role of partnerships in foundations' funding of research and innovation was noted in interviews and case studies. In the survey 23 foundations (or 55 % of respondents that provided information about their expenditure on research and/or innovation and 39 % of all respondents) stated that they engaged in joint activities in partnerships with others.

These respondents engaged in joint activities with multiple partners – on average 3.3. More than three quarters engaged in partnership with foundations, just under this with other nonprofit organisations and around a half with universities.

**Figure 24: Partnerships, 2013**

As a percentage of foundations that provided information about amount of expenditure on research and/or innovation and engaged in partnerships (N = 23)



Percentages add up to > 100 % due to multiple responses

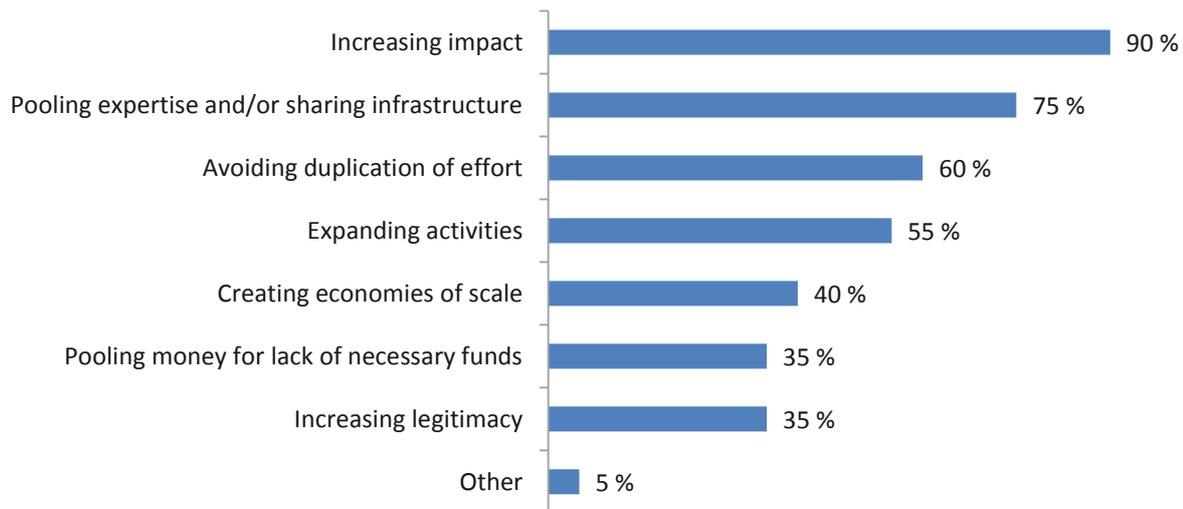
Twenty foundations (or 87 % of those that engaged in partnerships for research and innovation and 34 % of all respondents) provided information about their motivations for engaging in a partnership.

The vast majority, nine tenths, of these respondents hoped to increase their impact, and a further three quarters to pool expertise and/or share infrastructure. Avoiding duplication of effort was also important to foundations and more than half hoped to expand their activities (internationally or otherwise).

Because of the small number of respondents, these findings should be treated with caution.

**Figure 25: Motivations for partnership, 2013**

As a percentage of foundations that provided information about amount of expenditure on research and/or innovation, engaged in partnerships and answered question (N = 20)



Percentages add up to > 100 % due to multiple responses

### 3.7 Respondents' views on their roles

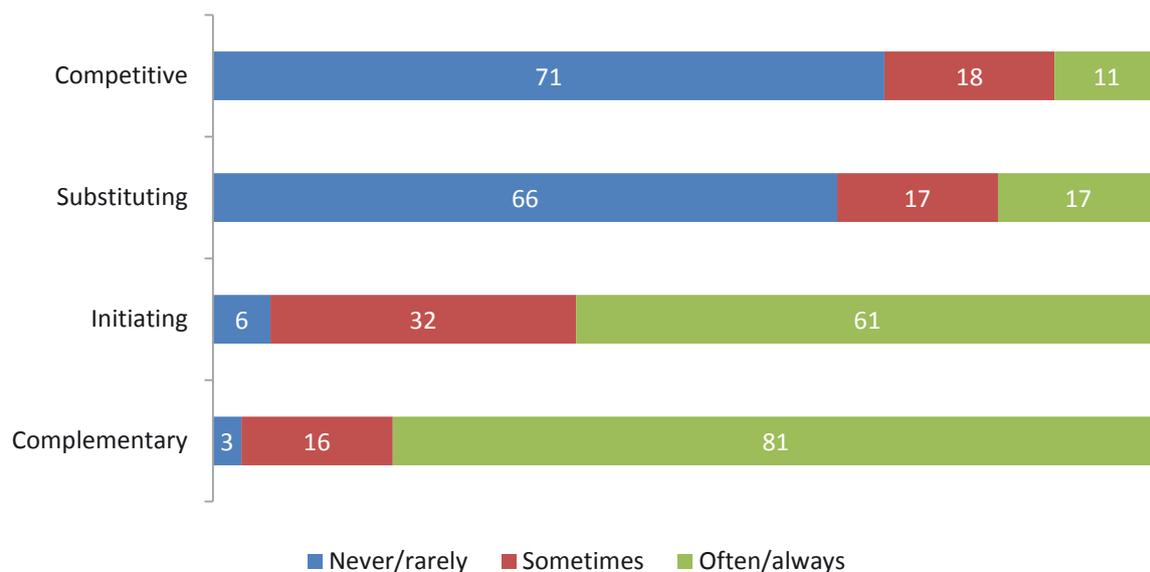
*Donors are still grappling with difficult ethical questions around, for example, the risks of being associated with projects that go wrong, or they fund stupid projects. It's fine for philanthropic funders to take more risks as long as you do it with your eyes open.'*  
(Public sector interviewee)

*Foundations can be 'light on their feet' compared with statutory funders.'*  
(Foundation interviewee)

Thirty-one foundations (or 53 % of respondents) gave views on their role in research and/or innovation. Most saw it as complementary ('additional to public/other support') or initiating ('to start a project with the expectation that others will take over'). Few saw it as substituting ('instead of/a substitute for public/other support') or competitive ('to rival other initiatives').

**Figure 26: Roles in the domain of research and/or innovation, 2013**

As a percentage of foundations that answered question (N = 28-31)



Percentages for initiating add up to < 100 % due to rounding

## 3.8 Interviews and other qualitative information: summary of results

### 3.8.1 Importance, priority and focus of foundations' research and innovation funding programs

The selected comments of interviewees inserted in the previous sections provide perspectives on the survey topics from different stakeholders. Overall, the interview results confirmed that research and innovation activities have different priorities within different foundations. For the major scientific foundations and operating charities dedicated to particular diseases, for example, research and innovation activities are a key priority. For foundations with generic charitable purposes, research and innovation activities are mainly a means to achieving their social change goals and a necessary part of the development of effective interventions. In these cases, budgets for research are usually not ring-fenced and are allocated on a needs basis. While the major scientific foundations invest in both pure and applied science, as well as in training and dissemination, smaller foundations, particularly in the social welfare field, focus on the application of research findings to innovative service or product development and the evaluation of impact (see case studies below). These are sometimes carried out through funding doctoral and post-doctoral training posts in universities, which generates additional value in being cost-effective for foundations while also contributing to the development of research capacity. This can be particularly valuable if support for local universities contributes to the regeneration of local economies. Some interviewees believe that as foundations become more concerned with demonstrating impact, research is inevitably moving higher up their agendas.

### 3.8.2 Partnership and collaboration

Foundations are often said to find partnership difficult, but the interviewees indicated a surprisingly strong commitment to partnership, collaboration and co-investment in the area of research and innovation within the nonprofit sector and between the sector and other sectors (see case-studies below for examples). Foundations placed a high value on collaboration as a way of broadening their own understanding, strengthening their voice on issues of concern and bringing enhanced opportunities to translate research into practice. One interviewee noted that the Health Foundation and major research funding charities such as Cancer Research UK and the British Heart Foundation in particular brought important perspectives on patient voice and the application of research to innovations of direct relevance to patients.

Foundations in closely-related fields were particularly keen on collaboration. One interviewee highlighted how his foundation was liaising with another large foundation in the field of health to avoid competition or duplication; to ensure that they used funds to greatest effect through learning from each other's experience and expertise; to achieve higher standards and complementarity; and to gain access to the additional networking and influencing capacity of another large foundation.

In spite of the significant added value of partnership, the interviewees also recognised that shared approaches raise challenges of leadership and ownership. When working with non-funders, foundations needed to be sensitive to the issues of funder power and might need to sacrifice 'ego' or individual recognition, where the goals of joint initiatives could best be served through power-sharing.

### 3.8.3 Co-investment

The interviewees were attracted to co-investment options as they help to reduce financial risk, particularly where research was not a spending priority. They also recognised that co-investment could yield more substantial funding – for example, funding of £1.5 billion jointly provided by the Wellcome Trust and the Department of Health for innovation in health; and funding of £4.6 million, jointly provided by the Department for Culture, Media and Sport and Wolfson Foundation for renovation and improvement in museums and galleries.

### 3.8.4 Working with government and other partners

Inter-sectoral relationships appear to be particularly well-developed in the medical and health fields. One of the strategic aims of the MRC is to work with all sectors to ensure the translation of research into tangible social benefits, and it is increasingly profiling examples where academic experts, charities and private companies collaborate in the development of new products. It is also promoting collaboration over national and international policy and legislative developments – for example, its joint response with the Wellcome Trust to the 2011 European Court of Justice ruling that banned the patenting of interventions involving human embryonic stem cells and its input to the Ministry of Justice's consultation on the implications for research of the draft EU regulation for data protection.

More generally, foundations regard dialogue with government as vital for a number of reasons of which the most salient are the limits to foundations' capacity, the need to establish appropriate roles for philanthropic and government funding, and the need for increased government spending on research and innovation. Government cannot assume that all needs will be met by foundations. There are anxieties around whether initiatives such as the introduction of student fees in the UK will encourage or discourage donations. Currently there is a real danger that foundations will continue to fund iconic new initiatives and innovation but neglect their core maintenance functions.

### **3.8.5 The role and development of philanthropic funding in HEIs, research and innovation**

While philanthropic support for research has traditionally been less valued than that won from the major research funding councils in the UK, the additional value of philanthropic partners is increasingly being recognised by HEIs and research funding councils. HEFCE is strongly encouraging HEIs to develop philanthropic relationships, but some interviewees felt that there was still a considerable gap at the level of individual institutions. The capacity to relate to donors (identified as a key success ingredient for university fundraising in the United States) varies. While some universities now have sophisticated development offices, many academics still fail to understand the importance of recognising and profiling major philanthropic investments or engaging with donors directly. University recipients feel donors sometimes make poor use of gifts. This is partly because donors may not understand how to make an effective contribution with the particular value of gift they can afford, and partly because they have limited information about the options available. One interviewee felt that unless donors were supported in making gifts of sustainable value, they might lose interest in the higher education and research sector. It is counter-productive, for example, if investments in expensive state-of-the-art equipment or new buildings are wasted because the recipients lack the revenue to maintain and use these facilities. Such concerns are echoed by HEFCE, which has raised the importance of clear institutional processes and governance mechanisms for handling gifts.<sup>[33]</sup>

### **3.8.6 Incentives**

Views on the role of financial incentives for philanthropic funding varied. The interviewees indicated that foundations see their independence as one of the important attributes they bring to the table in research and innovation, as it means they can resist commercial pressures or short-term gain. They would resist attempts by government to leverage or direct their activities through tax and other financial incentives and feel that their objectives are often different from those of government. An interviewee from the higher education sector, however, felt that universities can play a strong role in helping to build economic growth and innovation, particularly at a regional level, and that the government is right to encourage philanthropic funders to invest in these where the institution can deliver. This interviewee saw the government's matched endowment scheme for gifts to universities as very important. One problem with matched endowment funding pots is that they tend to favour universities which have a strong fundraising track record, and an existing capacity to meet fundraising targets.

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33 See More Partnership above.

### 3.8.7 Working at the European level

The European environment is not significant for all UK foundations, particularly those with a charitable remit restricted to beneficiaries in the UK, but there are some areas of activity where it is extremely important.

Areas of activity in the EU which have caused problems for health and biomedical charities were mentioned above in the discussion of the European policy and lobbying work of the AMRC, often in liaison with the MRC. Individual interviewees echoed these general problems and also highlighted issues such as insufficiently wide consultation around some European directives. For example, health and safety directives around power and telecommunications did not look at implications for staff involved in MRI scanning. The clinical trials directive has been updated, but it was felt that it missed out the academic sector until too late.

Several interviewees, from different sectors, mentioned that the structures for accessing EU funding were difficult to understand and navigate and were time-consuming. These problems are obscuring the value of working at the EU level and creating barriers to research collaboration.

In the area of common human rights interests, particularly of migrant populations and asylum seekers, some UK foundations feel that the development of the European Statute would facilitate cross-border collaboration over initiatives currently held back by the very different nonprofit sector governance regimes across Europe.

# 4 Innovative Examples

## 4.1 Shell Foundation – Breathing Space Programme: Indoor air pollution

According to the World Health Organisation, indoor air pollution, caused by open fires or stoves which use wood, dung or other solid fuel for heating and cooking, is the fourth most lethal killer after malnutrition, unsafe sex and lack of clean water or sanitation. It kills an estimated 1.5 million people per year, mainly women, and children under five. With a total of 500 million stoves in use in the developing world, the problem of indoor air pollution exists on a massive scale, and routes to dealing with it have been blocked by a combination of technical, economic, political and cultural factors, including competition with other health initiatives for a place on policy agendas, the low status of victims and lack of a single product solution.

Since the 1980s there have been numerous attempts by governments, global institutions and the development community to develop stoves that are fuel efficient and safe and to promote their widespread adoption, but for the most part these attempts have not been effective or sustainable.

In its Breathing Space Programme the Shell Foundation has taken a radically different approach to that traditionally used by governments and development organisations. Instead of providing free or subsidised stoves, it is using ‘market thinking and private sector involvement’ to develop, produce and sell a range of improved stoves.

Having commissioned an independent analysis of the global market for stoves to pinpoint the best locations and methods for experimental action, between 2002 and 2007 the Foundation invested USD 10 million in trialling nine different approaches in seven countries – Brazil, Ethiopia, Ghana, Guatemala, India, Kenya and Mexico. In carrying out these pilots it worked with NGOs on the ground, facilitated support to pilots through its connections with Royal Dutch Shell PLC and commissioned independent evaluations to provide hard evidence of the impact of improved stoves on the health of users (respiratory and eye-related illnesses), the cost of medical care and the level of carbon emissions. The Foundation is currently providing USD 3.5 million in seed funding to leverage in additional investment of USD 25 million to scale up and spin off the programme. It is working with Envirofit International, an NGO based at Colorado State University’s Engines and Energy Conversion Laboratory, and locally-based NGOs to organise locally-based production and marketing capacity to sell 10 million improved stoves in India (the lead country), Brazil, China, Guatemala, Kenya and Uganda in the next five years. The Foundation’s aim is that ‘by treating people as customers rather than aid recipients, the stoves will be seen by householders as high-quality, aspirational products.’<sup>[34]</sup>

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34 ‘fuelling change’ [case study], Ethical Performance 11 (2007) <http://www.ethicalperformance.com/bestpractice/article/73>

## 4.2 Wolfson Foundation – Leonard Wolfson Experimental Neurology Centre: New therapies for neurodegenerative diseases

Although neurodegenerative diseases, including dementia, are the sixth leading cause of death and one of the main drivers for the provision of residential care in the UK, government and charitable organisations have invested proportionately less in research into the causes and treatment of these diseases than into others such as cancer and heart disease.

In 2011-12 the Wolfson Foundation, which has a distinguished track record in supporting medical research, made a grant of £20 million to University College London to facilitate the establishment of an experimental neurology centre and a program of training for researchers. This was the largest single grant the Foundation had ever made and one of the largest received by University College London. The Centre opened in November 2013 and received its first patients in early 2014.

The focus of the Centre's activities is to carry out 'first-in-human studies' – in particular, to develop, investigate and accelerate the validation of new therapies to be used at the earliest possible point in the course of these diseases – to 'open an earlier window to patients through which we can provide treatment and try to minimise the damage caused by neurodegenerative disease'.<sup>[35]</sup> The Centre will draw on and contribute to the work of University College London's Faculty of Brain Sciences and the National Hospital for Neurology and Neurosurgery at Queen Square. It will work across a number of different fields of science – molecular biology, genetics, biochemistry, immunology, and clinical and imaging research, including treatment trials.

## 4.3 Garfield Weston Foundation – Digital Humanities Hub, University of Birmingham: Support for the cultural and heritage sector through digital technology

In 2011 the Garfield Weston Foundation provided critical start-up funding for the development of the University of Birmingham's Digital Humanities Hub. This support enabled the University to undertake preparatory work and to secure major funding from the European Regional Development Agency. The Foundation's support was in accordance with its broadly-based interests in arts, education and community and aimed to facilitate increased public access to and use of cultural and heritage resources through digital technology.

The Hub was established as a partnership among academic departments at Birmingham University, local cultural and heritage organisations (the Library of Birmingham, Birmingham Museums and Art Gallery,

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35 Nick Fox, Professor of Neurology at University College London and Principal Investigator at the Centre, quoted in 'New £20m centre pioneers first-in-man trials for neurodegenerative diseases' [UCL press release], 15 November 2013 <http://www.ucl.ac.uk/news/news-articles/1113/14112013-New-20m-centre-pioneers-first-in-man-trials-for-neurodegenerative-diseases-Wolfson>

the Ironbridge Gorge Museum Trust and Worcester Hive) and specialist IT businesses (many start-ups). Although initially locally-based, the Hub aims to have national impact through the development and marketing of its innovative technology.

The Hub provides a resource to museums and libraries and enables them to design and test their displays and presentations in a practical way. Using cutting-edge techniques in multi-user, 3-D multi-touch technologies, mobile devices and tablets, it has created augmented reality tools which are integrated into a digital prototyping hall (capacity 120 people) for testing the quality and effectiveness of various public displays to audiences whose reactions (eye gaze direction and dwell time in particular spaces) are monitored and analysed.

## 4.4 Action on Hearing Loss – Translational Research Initiative for Hearing: Moving from research to treatment

Over 10 million people in the UK are affected by hearing loss, and over 6 million are affected with tinnitus, and these numbers are expected to rise in the future as the population ages. Although hearing loss and tinnitus are not life-threatening, they impact negatively on people's quality of life and are associated with dementia, anxiety, depression and decreased physical well-being. Available treatments are few – hearing aids and cochlear implants – and for most these are 'only sticking plasters over the problem.'<sup>[36]</sup>

Action on Hearing Loss (which was formed from a merger of the Royal National Institute for Deaf People and Deafness Research UK) has long supported research into the causes and treatment of deafness and tinnitus, but it has recognised that there is a real and growing need for the development of new treatments and therapies. While continuing to support research and the development of research capacity (through, for example, PhD studentships and the recently-announced Pauline Ashley Awards for early career scientists), it has focused increasingly on translational research – that is, creating pathways for turning research, especially in promising fields such as genetics and stem cells, into treatments.

Action on Hearing Loss's Translational Research Initiative, launched in 2011, aims to rebuild the relationship between basic research, mainly funded by the government and medical research charities, and clinical trials, was previously mainly funded by pharmaceutical companies. Most funding for basic research does not cover the translational work required to test the efficacy and safety of new treatments and cures, and pharmaceutical companies are increasingly less likely to take the risks associated with supporting clinical trials in cases where market value is not clear or not likely to be substantial. There is, therefore, a funding gap between doing research and using it.

This Initiative targets both sides of this gap. It provides funding for scientists to undertake translational research, and it is working to rebuild a working relationship with pharmaceutical companies likely to fund additional research and clinical trials. To this end it has recruited 16 pharmaceutical companies as partners (with the opportunity to review applications for funding and support those that are of interest). It has

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<sup>36</sup> Action on Hearing Loss (2013), *Hearing Progress 2013: Update on our search for a cure* (London: Action on Hearing Loss), p 4.

fostered a collaboration between the MRC and AstraZenica to identify new treatments for otitis media. In spring 2012 it hosted a global summit for pharmaceutical, biotechnology and hearing device companies, academic research teams, the NHS, charities and practitioners to discuss ways of moving forward into productive research.

## **4.5 Northern Rock Foundation and Lankelly Chase Foundation – Respect: Pilot research on interventions to reduce domestic violence**

Within their wider missions to promote social justice, the Northern Rock and Lankelly Chase Foundations partnered to support an innovative pilot study of the effect of ‘perpetrator programmes’ in reducing domestic violence. These go beyond creating safe havens for the victims to addressing the root causes of domestic violence through behaviour-change programs, run in small groups, to help men stop being violent and abusive towards their partners and families. Uncertainty about the value of such programs had created an impasse in which few local authorities provided for them, and the major academic funding needed to get evidence of critical success factors and outcomes could not be attracted.

The two foundations jointly granted £500 000 for a pilot research study initiated by Respect, a voluntary organisation co-ordinating perpetrator programs. With their flexible and independent resources, the two foundations were able to ‘go in first’ and take the risks around feasibility and outcomes. As a result of this pilot, a combined team of academics from Durham and London Metropolitan Universities and the London School of Hygiene and Tropical Medicine won £1.5 million from the government-funded ESRC to investigate the effect of perpetrator programs on reducing violence and increasing safety for women and children, particularly where conducted within a co-ordinated family and community response to domestic violence. The research ends in 2014 and the ultimate aim of this multi-partner initiative is to increase the provision of effective local perpetrator programs across the country.

## **4.6 Barrow Cadbury Trust – Transition to Adult Pathway: Neglected needs of young adults in the criminal justice system**

The Barrow Cadbury Trust has a long history of engagement in the issues of young people in the criminal justice system. Some of its recent work culminates this year in the launch of a major three-year national research and development program around the delivery of interventions to this group.

The ‘T2A (Transition to Adult) Pathway’ will be delivered by multiple partnerships between the voluntary and statutory sectors, working with 16-25 year olds, a group vastly over-represented in the criminal justice system. While 18-24 year olds account for around 10 % of the general population, they represent around a third of the Probation Service’s caseload and a third of those sent to prison each year. The T2A Pathway will help foundations, charities and the public sector to collaborate in evidence-based innovation in service delivery.

In addition to driving and servicing the partnership of organisations involved in the T2A Pathway, the Trust commissioned independent four-year formative, summative and economic evaluations of early pilot projects, which generated evidence on delivery and economic and social impacts. The pilots showed how services can work effectively with young adults throughout the criminal justice process and link them back to a crime-free life and thus benefit them and their communities and lead to reduced offending and increased employment. The T2A Pathway builds on the evidence of the pilots, and the Trust has commissioned an evaluation of the new program from the Hallam Centre for Community Justice at Sheffield Hallam University. This will support the twelve delivery organisations in establishing baseline data, data collection systems, and data analysis.

# 5 Conclusions

## 5.1 Summary of findings

Our research has shown that many UK foundations dedicate a part of their funding to research and/or innovation and allocate significant expenditure to these purposes, although only a small group of large scientific, academic and medical foundations and charities prioritise research and innovation and place it at the heart of their work.

Innovation is less commonly funded than research. However, while almost all respondents supported research, just over a third supported innovation. Foundations often believe it is important for them to fund innovation and the more risky development activities which the public sector cannot support. In the medical and health fields, philanthropic organisations, particularly those that raise funds directly from the public, play an important role in translational activities, in order to ensure that research findings are translated directly into new products which benefit patients. Reflecting the predominance of a small group of large medical, scientific and academic foundations in research in the UK, there was a significant skew towards medical science in research and innovation spending, with 71 % of respondents reporting expenditure in this area. The vast majority of research expenditure (88 %) was devoted to direct research, and just 12 % to research-related activities. This focus is also likely to be related to the academic and scientific nature of the main research-funding foundations, and it is not surprising to find that over two thirds of respondents (67 %) allocated their research and innovation grants to public higher education foundations, and 42 % to research institutes.

Social and behavioural activities and the humanities are priority areas for grants by foundations in the UK, but these attract much less research and innovation support than the medical sciences. Fewer than half of the respondents currently support research and innovation in the social and behavioural sciences (42 %), and just 29 % in the humanities. Foundations' preferences here may be strongly related to the nature of charitable purposes in the UK, which uniquely bestow and legitimate charitable status, and in which relief of poverty and education historically are two of the four core areas historically. Some foundations feel strictly constrained by charitable purposes. However, the regeneration of foundations' interest in tackling the root causes of social problems such as poverty and in preventive approaches is prompting some foundations to take a wider view. There is a growing awareness that investment in research and an evidence base and in innovative ways of addressing problems, can represent an important contribution to establishing effective long-term interventions.

In spite of the concentration of expenditure on medical and scientific research and innovation foundations as a whole, however, most respondents devoted a portion of expenditure to important related areas which either support or disseminate research output. A large majority (89 %) allocated expenditure to the dissemination of research, and over half (53 %) to infrastructure and equipment. Other areas such as tech-

nology transfer, civic mobilisation and advocacy, research mobility, and career development all attracted support from over a quarter of respondents.

## 5.2 Strengths and opportunities in foundations' support for research and/or innovation

In general our research revealed that research and innovation activities among foundations in the UK were in a relatively strong position. All the respondents supported research and more than a third supported innovation. Almost two fifths had research and/or innovation as the exclusive or main focus of their activities. Overall, respondents allocated 70 % of their expenditure to research and/or innovation. All the respondents had endowments and were able to make commitments over the longer term. The vast majority supported direct research activities. The respondents' activities had a broad geographical distribution, from local to international. Based on the research findings a number of conclusions can be drawn about strengths and future opportunities.

### 5.2.1 Strengths

- UK foundations allocate significant expenditure to research and innovation, and it has an important place in their charitable expenditure and activities, even though it is not a priority for all foundations.
- Many foundations demonstrated complementary, collaboration and partnership in research and innovation, both within the foundation sector and across public, private and charity sectors.
- The medical sciences had a dominant presence in foundations' research and innovation funding, which appears to be growing, and this was strengthened by a developing cross-sector infrastructure which enables global and long-term thinking and knowledge-sharing.
- Foundations focused on effective, innovative and impactful interventions within limited resources and were increasingly using research and evaluation as a tool. This may create an opportunity for more research and innovation to be funded.

### 5.2.2 Opportunities

The main challenge is that within the foundation sector support for research and/or innovation has focused on the medical sciences, while support for other fields – natural science, social and behavioural science, agricultural science and the humanities, which was at a lower level – appears to have declined over time. In an era of social, economic and political turbulence, there is an opportunity to increase the contribution of foundations to new approaches and solutions.

- Funders' interest in supporting research and innovation might be stimulated if they had more information about funding options and about how individual contributions can add value; if they had better communications with academics and researchers; and if they had a better understanding of the value of research and innovation as an investment for the future.
- There is a stronger role for the EU in facilitating or inhibiting research and innovation in certain fields, both at the national and European levels.

## 5.3 Recommendations

*Pure research funding will continue from the foundations which are well-established in their fields, but we need to make it easier for new entrants to find their place in academic and research funding. After the few top foundations we struggle to get gifts which are in double figures.'*

*(Public sector interviewee)*

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It is not possible to make detailed recommendations about a field as wide and diverse as that studied in this research, whose focus was mainly descriptive. Moreover, foundations in the UK are largely private and independent institutions, and it is not appropriate for governments and others to prescribe their behaviour. However, a number of important points relevant to different key stakeholders emerged from the qualitative research, and the main ones are set out below.

**Government:** If government wants to encourage foundations' support for research and innovation, it needs to ensure ongoing opportunities for dialogue with foundations, so that they understand each other's capacities and the most effective way to complement each other, co-fund or work together.

**European Union:** The EU needs to simplify and streamline its funding procedures and to ensure full, timely and wide consultation of all relevant partners when introducing policy, directives and legislation.

**Recipients:** Higher education and research institutes seeking research and innovation funding need to open communications and build relationships with potential donors to ensure as much access as possible. They need to be clear about what can be achieved by different kinds of funding and be honest with donors about the sustainability of funded projects.

**Foundations:** More foundations, especially the majority for which research is not their primary focus, could consider the positive contribution that research can make to their activities in ensuring that precious funding is targeted where it will have the most positive impact, lessons are learned, value for money is achieved, and beneficiaries receive the greatest benefit.



