

SECTION 3 – independent funders

Among the first questions people often ask about independent funders are “Who are they?” and “What do they do?” What are the different types of independent funder in Europe?

Types of independent funder:

- Foundations
- Corporate funders
- Individual philanthropists

Each type has its own characteristics and the way to approach them varies. Unfortunately, most people do not realise the range and diversity of independent funders in Europe. Some people, indeed, have serious misconceptions – for instance, about what foundations and corporate funders are and how they operate.

There are many differences between independent funders, including the distinction between organised funders and “non-organised” ones. Foundations and corporate funders are mostly professionally staffed, while individual philanthropists rely not on staff but on volunteers. In addition, it is important to keep in mind that some foundations only employ a small staff in order to concentrate their resources on their funding activities. Grant-seekers should note that every day each independent funder receives many applications and may not have the time to look properly at each one. To help funders and their staff it is important that grant-seekers carefully prepare their applications.

The T-Kit tries to answer the above questions and to clarify the varied landscape of independent funders in Europe. It deals with this in three sections:

1. **Foundations** – This provides a snapshot of independent foundations in Europe today and shows their role in modern philanthropy. It also details the different types of foundations in Europe.
2. **Corporate citizenship programmes** – examines corporate funders (another component of the independent funding community), the long tradition of corporate citizenship and its current trends across Europe.
3. **Individual philanthropists** – provides several tips on how to approach wealthy individuals.

In the bibliography at the end of the T-Kit we list various directories of foundations and corporate funders which offer a starting point in any fund-raising effort.

1) Foundations

The foundation landscape in Europe is extremely varied, in part due to the many languages and cultures in Europe and the different legal/fiscal environments from one country to the next. Foundations are an important part of the independent funding community. They represent a valuable source of income for non-profit organisations. But what is a foundation? How have these organisations developed into important forces for social change and valuable alternatives to traditional government support? Do a British trust, a French fondation, a German Stiftung and a Polish fundacja have anything in common? How comparable are they?

Along with the various terms for ‘foundation’ that exist across Europe, there are a number of different foundation types. There are endowed foundations, community foundations, operating foundations and corporate foundations. Some foundations in Europe are beneficiaries of lotteries or gambling. Others may be considered to be collector/distributor foundations, collecting funds from various sources, including the general public, to underpin their operational or grant-making programmes. Some foundations in Europe are hybrids, combining several of these elements: for example the King Baudouin Foundation (Belgium) is an operating foundation with an endowment, receives lottery proceeds, raises funds from the general public on a continuing basis, and has a grants programme.

What exactly is a foundation? It is important to provide a workable and generally acceptable description of what a foundation is as a basis for the rest of this section. The European Foundation Centre (EFC) has established the following general concept of what a foundation is.

What is a foundation?

“Foundations:

- are separately constituted non-profit bodies;
- have their own dependable source of income, usually but not exclusively from an endowment or capital;
- have their own governing board;
- use their financial resources for educational, cultural, religious, research, social or other public-benefit purposes;
- use their financial resources either by making grants to non-profit organisations or by operating their own programmes and projects.”

Source: European Foundation Centre, Brussels (Belgium)

Although there are numerous national differences stemming from both cultural and legal developments, and also differences in the use of terminology, the above concepts cover the majority of the foundations in Europe today and distinguish them from non-profit organisations running their own programmes and other sources of non-independent funding.

2) Types of foundation in Europe

In addition to its conceptual definition of a foundation, the European Foundation Centre in Brussels produced a Typology of Foundations in Europe (published by the EFC in 1997). The typology is an attempt to provide a clearer picture of Europe’s diverse foundation community. It identifies four groups of foundations. Each group has a number of sub-categories.

Four types of foundation in Europe:

- Independent foundations
- Corporate foundations
- Governmentally-supported foundations
- Fund-raising foundations

Types of
foundation
in Europe



T-Kit on Funding
and Financial Management

You may also classify foundations in Europe according to criteria such as the source of their finance, the composition of the governing board (who is in control of decision-making?) or the approach to the distribution of financial resources.

Where does the money come from?

Foundations' main sources of finance:

- interest on endowment
- donations and bequests (sums of money made available on the donor's death)
- lottery
- commercial activities (publications, etc)
- dividends on shares
- annual contributions from a company/companies
- fund-raising campaigns

• independent foundations

Independent foundations comprise the vast majority of foundations in Europe. There are however a number of sub-groups which more accurately reflect the many different types of independent foundations. The commonest types of independent foundation are the family-controlled and trustee-controlled foundations. The original endowment establishing the foundation usually comes from an individual or family donation, and the foundation makes grants and operates programmes with the proceeds from this. Independent foundations also include prize-giving foundations, such as the Nobel Foundation, and those that receive funding from lottery proceeds. In both cases a board of trustees directs grant-making activities. Within the definition of an independent foundation, the EFC includes limited-duration foundations and funds as recognised in Europe.

Example of an independent foundation: the Bernard van Leer Foundation (The Netherlands):

The Bernard van Leer Foundation was established in 1949. The foundation's income is derived from the bequest of Bernard van Leer, a Dutch industrialist and philanthropist, who lived from 1883 to 1958. He was the founder of Royal Packaging Industries Van Leer, which is now part of Huhtamaki Van Leer, a packaging company operating in 55 countries worldwide.

• Corporate foundations

There are two types of corporate foundation. A foundation with corporate interests is one in which the foundation's investment portfolio includes more than 50% of the voting shares in a company. This investment in turn constitutes more than 50% of the capital with which the foundation performs its work. Corporate foundations are separately constituted foundations established by a company, which depend primarily on annual support from that company for their programmes.

It must be noted here that many corporations also make significant donations of goods, services and money through corporate citizenship or corporate community-investment programmes. Although not in the foundation typology, these activities are a vital part of the independent funding available to non-profit organisations such as youth organisations. As such, we look at corporate community investment in a separate section.



Example of a corporate foundation: Fundació La Caixa (Spain):

Fundació La Caixa came into being as a result of the merger of Fundación Caixa de Pensions and Fundació Caixa de Barcelona. It is a non-profit organisation dedicated to serving society. The foundation is funded by the Caixa d'Estalvis i Pensions de Barcelona which, as a savings bank under Spanish law, may devote approximately 50% of its profits to socio-cultural activities.

• **Governmentally-supported foundations**

Two types of governmentally-supported foundation are currently to be found in the EFC typology. Governmental foundations include national, intergovernmental and supranational governed foundations. The common feature of these is that the government body that established the foundation controls the key trustee appointments, although some trustees may come from outside government. Funding generally comes direct from the government although other sources of income may be sought. Political foundations, the second type, are not common in Europe. These foundations primarily exist in Germany. Usually they are affiliated to a political party and their programmes reflect that party's interests and philosophy.

Example of a governmentally-supported foundation: the Westminster Foundation for Democracy (United Kingdom):

The Westminster Foundation for Democracy was established by Royal Prerogative. The three main political parties in Britain are each represented on the Board of Governors, and appointed by the Secretary of State for Foreign and Commonwealth Affairs after consulting the parties. There is also a representative of the smaller political parties, as well as non-party figures drawn from business, trade unions, the academic world and the non-governmental sector.

• **Fund-raising foundations**

Although many foundations seek matching support for particular programmes or their grant-making activities, this term refers primarily to foundations which are in a process of transition, attempting to build up their asset base and in the meantime requiring a continual flow of finance. It is this longer-term objective which distinguishes them from non-profit organisations, institutes and other non-governmental organisations, which may likewise raise funds to support their own programmes. Fund-raising foundations seek to develop into established grant-making institutions, and as such are primarily found in central and eastern Europe.

Example of a fund-raising foundation: Fundacja Pomocy Wzajemnej 'Barka' (Poland):

Fundacja Pomocy Wzajemnej 'Barka' was set up to help marginalised groups such as former psychiatric patients, the homeless, former prisoners, and vulnerable children or women. The first Barka community was established at Wladyslawowo. The following year, the group merged with the Foundation in Aid of Persons in Deep Crisis and went on to create two further communities. Since then, some 1,500 people each month have been helped by the foundation's community, and have used educational and temporary services such as food supply, banking, meal services, shower facilities, medical and dental care and after-/ pre-school programmes for children. Activities led to setting up the Regional Centre for Non-Profit Non-Governmental Organisations in Poznan, a group that encourages activities and represents the interests of the third sector.

Foundations



3) Foundations in Europe today – common characteristics

Among the questions many people ask about foundations is “Why create a foundation?” There are many possible reasons for doing so, depending on the type of foundation and, to a large extent, the initial founder. Factors include:

- absence of natural heirs
 - a desire to create a living memorial to the founder
 - fulfilling a charitable purpose over a long period
 - creating or maintaining a stable organisational framework for an existent organisation (e.g. the World Scout Foundation)
 - tax advantages
 - creating an instrument for corporate communication (companies).
- “A foundation lives in perpetuity” - any foundation aims to survive the death of its founder. In deciding its mission and priorities, a foundation looks to the long term. This influences the choice of projects. Foundations will always consider the future of the organisation they are funding and the follow-up to projects. They will give funding priority to projects which will be self-sustaining after the grant ends.
- “A foundation belongs to itself” - having their own sources of income, foundations have a highly developed sense of independence vis-à-vis governments and public institutions. They choose their own priorities and the types of project they wish to fund. Thus they often play a valuable role in breaking new and controversial ground. They play an important part in the distribution of wealth, taking action in areas where public authorities do not or cannot intervene.

Foundations are keen to help tackle the root causes of problems, rather than just palliatively reacting to adverse effects after the event. They may support relief action by non-profit organisations and public authorities in humanitarian, environmental, social or other emergencies. However, the bulk of their action is concerned with tackling the underlying causes and trying to anticipate change, in particular by supporting research, building up expertise and testing new approaches, thus acting as catalysts of innovation.

Among the many different factors which influence the foundation community, it is relevant to note the following trends:

Major areas of interest

Grants for postgraduate studies, support to school reform, research on cystic fibrosis, prizes for television programmes, cross-border parliamentary exchanges, employment and business creation programmes, research on risk prevention and improving management of health services are only a few examples of foundations' activity in Europe. Their action ranges from protection of the environment to early-childhood development, violence prevention to health-care services, work with senior citizens to promotion of participatory democracy and community dialogue across Europe and beyond. However, foundations' emphasis in most countries is on education and research, followed by welfare services. But there are exceptions. In France, for example, priority also goes to health, in Ireland to housing and development and in Spain to culture and the arts.

Community foundations

A recent trend has been the development of community foundations (which may be treated as fund-raising foundations). They are formal mechanisms enabling people in a community to collect funds in order to improve its quality of life. They are vehicles to nurture, sustain and enhance informal community philanthropy. Community foundations can be valuable tools for helping local communities address new and growing social, economic and environmental needs by mobilising and leveraging new resources, making grants to local projects and building collaborative relationships with other non-profit organisations, businesses and government agencies. These are currently flourishing in the United Kingdom and developing in other countries such as Germany and the central and eastern European countries.



International cooperation

Since the early 1990's, there has been real development of international cooperation between foundations. Many organisations and networks have been set up, demonstrating funders' readiness to share expertise and good practice. An example of this is the Brussels based European Foundation Centre, which is a knowledge-based membership association of foundations and corporate funders, dedicated to strengthening organised philanthropy in Europe and internationally. Founded in 1989 by seven of Europe's leading foundations, the EFC today serves a core membership of over 200 members, associates and subscribers.

4) Corporate citizenship programmes

A corporate citizenship programme (also called a corporate giving programme or corporate social responsibility) is a grant-making programme administered within a profit-making company. Corporate giving programmes usually do not have separate endowment and their annual grant totals are generally directly related to current profits. In addition, some companies make charitable contributions through both corporate giving and a company-sponsored foundation.

Corporate funders are fast becoming a more noticeable and accessible source of support for citizens' associations, particularly for those non-profit organisations prepared to use lateral thinking in identifying their funding needs.

Corporate funders offer more varied forms of support than are traditionally provided by foundations. Organisations which can define their needs in terms other than mere financial support can tap into a rich vein of valuable aid. This aid naturally largely comprises direct financial support but, no less importantly, can include:

- sponsorship
- training
- gifts of equipment or supplies
- employee volunteering
- matching of employee donations
- secondment of staff

Why do companies give?

- To create goodwill: to be seen as good citizens in the community
- To enjoy tax advantages
- To be associated with certain causes
- Because the Chairman is interested in a cause

Historical perspective

Although corporate citizenship has grown significantly in recent years, companies have been helping the communities in which they operate for far longer. In Ireland, Guinness (now part of Diageo plc) can trace its charitable record back to the 18th century, when it assisted the community around its brewery. In Germany, the Daimler-Benz Corporation (now Daimler-Chrysler) has a history of support for education and the arts in its local communities from the time of the Daimler/Benz merger in 1926. The company took the further step of endowing an autonomous foundation, the Gottlieb Daimler und Karl Benz-Stiftung, in 1986, and many of the world's largest corporations have done likewise in order to add an independent dimension to their work in this area. In Italy cultural and artistic patronage started with aristocrats of the Italian Renaissance like the Medici, forerunners in that sphere of present-day companies such as Olivetti and Fiat. These and many other Italian multinationals now provide outstanding support to artistic endeavours throughout the world.

Today, and with considerable variety of activity in each country, corporate citizenship is growing vigorously and gaining a higher profile. Across Europe intermediary organisations



with corporate members are encouraging and improving corporate philanthropic action. The leaders in these are firms keen to create a climate of greater, more organised corporate citizenship.

Current trends

There are a number of reasons for firms' growing interest in playing a more influential part in the communities in which they operate and from which they make their profits. As a result of growing consumer awareness and pressure, businesses now need to be seen to be honest, environmentally aware and concerned for their communities. Greater competition and the need to hold on to a customer base means that those businesses that are seen to be philanthropic attract more positive reaction from consumers. Although many businesses have long practised this approach, it has often been unsystematic and not widely publicised.

Companies are now also beginning to recognise the value of in-kind support, and to include it in evaluation of their corporate citizenship – rightly, as the corporate world can often more easily provide support in the form of goods or property than direct financial aid.

Corporations usually have a different approach to grant-making from foundations. Each donation – whether direct financial aid or some other form of support – has a value which can be measured by the company. These donations are not something the company is obliged to do, but something it chooses to do as a part of its wider public relations.

When considering approaching a corporation for support, it is important for an association to look at what it is offering in return. High-profile projects in which the name of the corporation can be prominently displayed – and which they can use in their own publicity – are often the ones that corporations support. An opportunity to both 'do good' and to promote the corporation's image is the sort of project that is attractive.

Despite a history of supporting the arts, cultural projects and sport, corporations nowadays give support in a wide range of areas. The environment has become popular, reflecting growing consumer concern about and interest in the question.

The business community itself is also increasingly recognising its own social responsibility. Through their own programmes, and working together to improve their social action, corporations are taking concrete steps to meet that responsibility.

Example of a corporate citizenship programme:

Johnson & Johnson is the world's most comprehensive and broadly-based manufacturer of health care products, as well as a provider of related services for the consumer, pharmaceutical and professional markets. The Johnson & Johnson family of companies, consisting of more than 190 operating companies in 51 countries, has its worldwide headquarters in New Brunswick, New Jersey, USA, where the company was founded over a century ago. The company currently employs 97,800 people. Johnson & Johnson focuses its efforts on children's health, access to health care, and health education. In addition it supports local initiatives that help the communities in which it is located and operates, thus 'contributing to a healthy future'

Image-building

Corporate funders deserve a special note here. Most corporations are well aware of the image-enhancement/community-improvement function of their corporate citizenship activities. As a result they may make very significant contributions – with some of the largest European grant-makers coming from the corporate world – but within strictly defined geographical areas. These typically include the communities in which they have plants or factories or where they have major markets for their products.



• Approaching corporate funders

Corporate funders do sometimes require a slightly different approach. Some companies view their community-investment programmes as truly philanthropic in nature; others view them in terms of responsibility to the community. Corporations may set up a separate office to run their giving programmes, or they may run them from community affairs, public relations or even marketing offices.

Similarly, some corporations establish a corporate foundation to run their community investments while others engage in direct giving.

Accordingly, and before applying to corporations for support, your organisation should research them thoroughly to ensure they are appropriate to your needs. The overall approach to foundations should provide the basis for your attitude to corporate donors but the following points should also be borne in mind:

- programmes are generally aimed at improving relations between corporations and communities;
- how is your project going to enhance the company's image?;
- companies primarily have to answer to shareholders;
- companies rarely support religious appeals.

5) individual philanthropists

Just like foundations and corporate funders, many private individuals give to their communities simply because they consider it to be the right thing to do. Deciding how to give is the hard part. Philanthropists are wealthy individuals with general philanthropic concerns or interested in particular causes. The major difference between the philanthropic individual and other independent funders is that they do not operate within an organisation or company. Not having a particular mission or goal, they are very flexible in their giving policy.

Despite a strong charitable impulse, most wealthy individuals enter the philanthropic sphere with little experience. Many still practise chequebook philanthropy. Whatever the giving philosophy, giving wisely and effectively increases the impact of the gift and is not just a matter of contributing to good causes.

Why do people give?

Most individual philanthropist are inspired to give by a variety of factors. This could range from religious conviction to a sense of civic duty. There are many motives for setting aside money and other resources for charitable purposes, such as:

- the satisfaction of helping people;
- the desire to leave a lasting imprint on society whilst making a significant difference;
- the desire to promote a set of views or a philosophy;
- setting up a memorial to a friend or loved one;
- giving back to a supportive community;
- tax benefits.

The critical challenge and opportunity is to engage with the individual philanthropist in helping them make philanthropy an integral part of their lives. There are a number of mechanisms available through which a wealthy individual can give to charitable causes. One of these is to give direct financial support, usually in the form of a grant, to a charitable organisation which will welcome the gift and use it for its current activities. Another approach is to set up a foundation. These two different approaches serve different purposes. When setting up a foundation, for example, the founder will tend to be thinking long term: the object is a foundation that will become an independent entity and outlive the founder, continuing the work they began.



Individual philanthropists often turn to experienced foundations to learn about community needs and best practices, as well as the pitfalls to avoid. Many foundations receive requests from new donors who have just launched or are about to launch their own foundation. Yet few foundations are adequately equipped to respond. Clearly many individual philanthropists are unsure how to best accomplish their charitable goals. They question if their gifts really matter or if the groups they support are making good use of the grants. Others express concern that gift-giving is not particularly satisfying.

Firstly, many individual philanthropists ignore the different steps involved in building a grant-making programme. How soon can money be distributed? It is possible to start immediately, though for the sake of efficiency an incremental process is advised. The process goes from establishing a grant-making policy, learning from other models, developing a plan in writing and getting the message across to dealing with applications, making decisions, reviewing the grant-making policy and continuing to build partnerships.

Secondly, it is important to realise that many individual philanthropists are value-driven and entrepreneurial, largely as a result of their experience in business, and very much hands-on. For them, giving is both an act of commitment and a serious long-term investment, complete with future exit strategies. Increasingly, there is also an offshore or global dimension to their giving. In addition, these individual philanthropists often see themselves as grant-makers rather than old-fashioned philanthropists.

The main difficulty with individual philanthropists is to identify them as there are no directories providing you with lists of their interests. Unlike foundations, they do not publish annual reports, lists of grants made or application guidelines.

One solution to this is to obtain annual reports and project reports of organisations active in fields similar to yours. If they thanked their funders – and they should have! – you can start doing some additional research, having ascertained the shared interest.

Most individual philanthropists will also support projects which are to be carried out in the community they live in or come from. It is useful to think locally in order to identify them. Local, regional or national newspapers may help you here. In addition there are magazines that target the rich. The biggest difficulty after identifying potential donors is to find out how to get in contact – addresses tend not to be given.

There are no rules in approaching individual philanthropists since they are not as organised as foundations. However, most of the suggestions for approaching foundations and corporate funders also apply to individuals. You are advised not to beg, and you need to be enthusiastic. You are not asking for money, you are selling a project, an idea.

In any case you will have to establish personal contact and be persuasive and persistent. Individual philanthropists support people as well as good ideas. If they feel that you have the people to make a project happen then they are likelier to support your organisation through a particular project. This might then be the beginning of a longer-term relationship with the funder for your organisation.

