Foundations in the European Union

FACTS AND FIGURES

Report on work by EFC Research Task Force

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PREFACE

The European foundation sector is growing dynamically and is achieving a major presence in European society. Sharing information on foundations, their work and operating environments across Europe is essential to promoting better understanding of their key role in working for the public good.

One of the European Foundation Centre (EFC)'s goals is to advance knowledge and visibility of foundations in Europe and better document their benefits to society, using up-to-the-minute data. In 2002, EFC launched a Research Task Force (RTF), which acted as a clearing house for research on foundations in Europe, collecting data where appropriate. The RTF comprised representatives of European Union-based EFC member foundations and national associations of foundations who often coordinated data-gathering with universities or researchers. The RTF ran two surveys in 2003-5 and 2006-8 to assess public-benefit foundations and provide key data on the scale of the sector across the EU. It also explored some key topics on foundations' regulatory and operating frameworks.

This brochure summarises the RTF's findings, reviews the sector's size and economic weight in the EU, and gives general background on where foundation income comes from, who sets up and runs foundations, whether foundations cooperate, who their partners are, whether they develop links with public bodies, and whether they evaluate their actions.

This work is also an example of successful collaboration between a range of partners including various EFC members, national associations of donors, and researchers. We thank them, and particularly the former EFC European Committee which initiated the project, and the Research Task Force members who provided strategic thinking on the scope of the research agenda and methods for data collection.

We hope this will pave the way for foundations to follow up this necessary work.

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Chair, Research Task Force

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OUR METHODS

A striking characteristic of the European foundation sector is its wide diversity. Indeed, laws on foundations vary across Europe, and the definition of 'foundations' differs between one country and the next. But public-benefit foundations share common features. The EFC Research Task Force (RTF) carried out two surveys focusing on public-benefit foundations, using the following definition:

"Public-benefit foundations are asset-based and purpose-driven. They have no members or shareholders and are separately-constituted non-profit bodies. Foundations focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They each have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies."

The first survey held in 2003-5 analysed the European foundation sector using 2001 data, in nine countries: Belgium, Finland, France, Germany, Italy, The Netherlands, Spain, Sweden and The UK. The second survey was undertaken in 2006-8, using 2005 data on 16 countries: the above nine plus the Czech Republic, Estonia, Hungary, Latvia, Luxembourg, Slovakia and Slovenia.

Both surveys were carried out with assistance from RTF's members in the EU's participating member states. In each country a national coordinator helped compile the data on foundations using two questionnaires – one per foundation and per country - developed by the group, with user guides to standardise data identification. While some national partners delivered final data in line with the country questionnaire, others adapted the questionnaire to their national context, and others referred to existing databases as sole or complementary source. EFC acted as a secretariat to record and analyse the national data. For countries not represented in the RTF, the secretariat sought help from the respective national association of donors or identified publicly-available information.

The figures presented in this brochure mostly refer to the second survey. Comparisons between the two surveys were made when data were available for the same countries and when similar indicators were used for the same fields of the country questionnaire.

The quantitative results are extrapolated from samples whose size and scope vary per country. While interpreting them it is important to consider that:

- Both surveys focused on public-benefit foundations as defined above
- There is no central foundation register in several countries, where foundations are obliged to register or get state approval to set up, which makes it hard to get exact numbers of foundations and accurate information on their purpose and scope of activity
- Despite efforts to standardise data and use a common classification system covering areas of support, geographic focus, and population focus, different systems were sometimes used
- In a given questionnaire, not all respondents chose to answer all the questions, thus inevitably preventing a totally homogenous result across the fields analysed

In view of these discrepancies, the data were integrated into a European perspective following interpretation in close communication with the data provider, and numerous examples of national specificities are provided, with explanations where needed.

The figures predominantly refer to 2005. Exceptions where the reference year differs are noted.

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KEY FIGURES – COMPARATIVE HIGHLIGHTS

Foundations' economic weight

Asset Size

The economic weight of foundations is significant. A sample of 55.552 foundations in 15 countries found combined assets of some €237bn, an average of €4m per foundation.

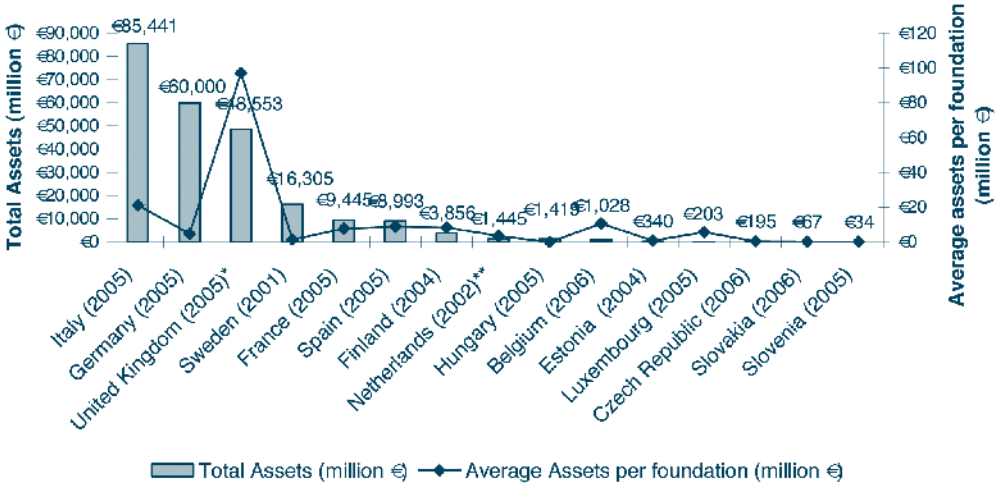

Figure 1: Total asset value of foundations in 15 EU countries

*Top 500 trusts
** 400 Fund-raising foundations

Top 50 by assets

The analysis of a sample of 13 countries (Belgium, Estonia, Finland, France, Germany, Hungary, Italy, Luxembourg, Slovenia, Slovakia, Spain, Sweden, and The UK) revealed that the top 50 foundations represent a pool of assets of some €88bn, which accounts for 37% of the total assets of foundations in these countries. The top ten alone represent over 23%.

These foundations' assets are concentrated in seven countries, the largest share of which is found in Italy and The United Kingdom.

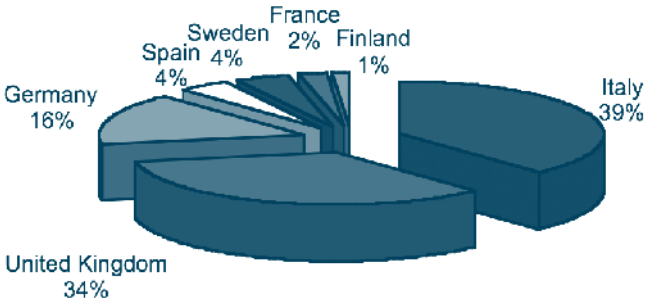

Figure 2: Breakdown of top 50 foundations' assets per country

Top 15 by assets per country

At national level, the top 15 foundations of these 13 countries represent different shares of the wealth of the national foundation sector. The figures are striking for Luxembourg, Estonia, Slovenia and Finland where the top 15 foundations stand for over 80% of total foundation assets in each country. In only five countries do the top 15 foundations represent less than half the total assets.

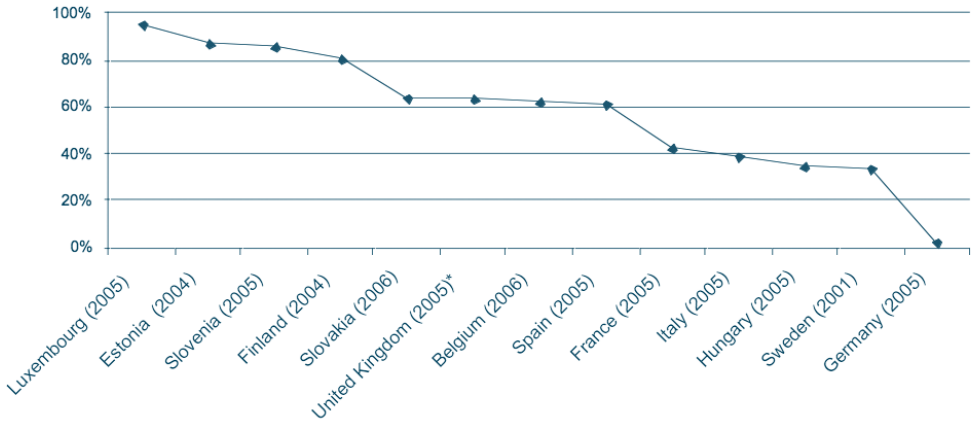

Figure 3: Proportion of the top 15 foundations' assets compared to the total assets of the national sector

*Top 500 trusts

Expenditure Size

The 58,588 public-benefit foundations surveyed in 14 EU countries reported total spending of €46bn, an average of €1m per foundation.

German public-benefit foundations show the highest total expenditure, but British average expenditure per foundation is the highest. Foundations from 8 of the 14 EU Member States surveyed spend an average sum higher than the average in the 14 countries.

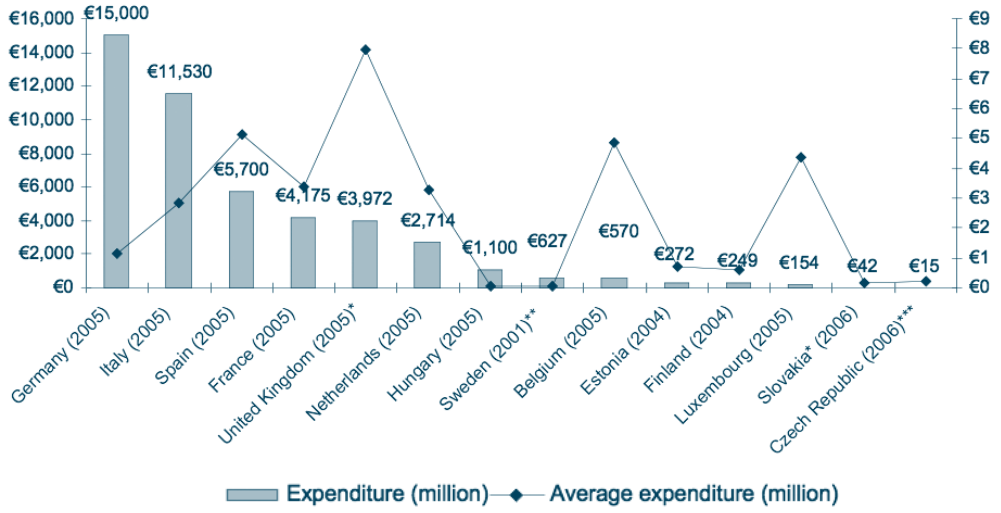

Figure 4: Total expenditure of foundations in 14 EU countries

* Top 500 trusts
** Grants to third parties
*** Grants expenditure of 70 Foundations Investment Funds (FIF), which represent 62.6% of the assets of all Czech foundations

Employment & Volunteering

The foundation sector plays an important role in the labour market for both salaried and voluntary workers. Not only do they act directly as employers themselves, but by funding organisations and individuals in the non-profit sector they indirectly support employment and voluntary engagement in their areas of interest.

In ten EU countries (Belgium, The Czech Republic, Estonia, Finland, France, Germany, Hungary, Italy, The Netherlands and Spain), some 34,400 foundations employ a total of 311,600 staff, which makes an average of nine employees per foundation. Although Italian foundations employ the highest absolute number of workers, 106,137 staff in 4,053 foundations (an average of 26 employees per body), in both France and Spain the average number of employees per foundation is considerably higher (45 and 41 employees per foundation).

Volunteering remains an important feature of the foundation sector. The 31,800 foundations sampled in seven EU countries (Belgium, Finland, France, Germany, Hungary, Italy and Spain), have 231,600 volunteers, an average of seven volunteers each. Spain has the highest average number of volunteers, closely followed by Belgium, with respectively 46 and 45 volunteers per foundation. By contrast, Hungary and Germany have an average of four volunteers per foundation, and the Finnish average is seven. The Netherlands is a special case as 400 fund-raising foundations in 2002 used 917,391 volunteers, two-thirds of whom carried out door-to-door collections.

Foundations in Belgium, Hungary and Spain have a higher number of volunteers than employees. Though the average number of employees per foundation in the seven 'old' Member States is 28, the new EU countries have a strong statistical impact. Hungary, for instance, has an average of one employee and four volunteers per foundation.

Dynamics of the sector

Number of foundations

To date, in 24 EU Member States (information not available for Lithuania, Malta and Romania) some 273,000 organisations are termed 'foundations', of which over a third (some 95,000 +), are public-benefit foundations. This represents an average of over 27 foundations per 100,000 inhabitants. This corresponds to an increase of more than 54% of public-benefit foundations over four years (2001-5): the 39% figure is due to EU enlargement (data from 9 of 12 new Member States included). In the same period, in the original 15 EU countries alone there is an actual increase of 15% of public-benefit foundations.

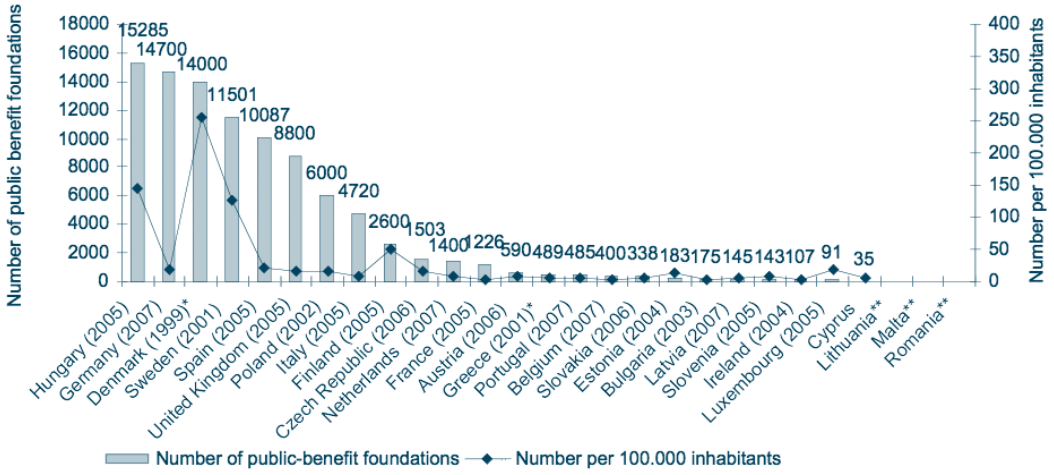

Figure 5: Distribution of public-benefit foundations per country in the EU

* Both public and private-benefit foundations

** Information not yet available

The large number of Hungarian public-benefit foundations either support public service providers or directly complement them by providing social services. Their revenues are widely supported by governmental sources, and their boards often include government officials. Few of these foundations take part in grant-making activities as very few have large assets and financial stability.

In The Netherlands, public-benefit foundations represent less then 1% of all organisations called 'foundations'. In Bulgaria they represent 6%, and in Latvia a quarter of all organisations known as foundations. However, in Spain, The United Kingdom, Italy, Finland and France, among other countries, all foundations are public-benefit foundations, which

reflects the legal obligation to pursue a public-benefit purpose in order to create a foundation. Other requirements on constituting a foundation diverge widely from country to country, eg the minimum capital legally necessary to create a foundation varies from none at all, as is the case in Ireland, Luxembourg, The Netherlands, and Sweden, to relatively low sums, such as in Hungary (€400-1,000) and very high sums such as in France, where foundations need a minimum capital of €1m to be legally constituted.

Foundations' growth

Foundations in the EU have seen dramatic growth over the past 15 years. In nine countries (Belgium, Estonia, France, Germany, Italy, Luxembourg, Slovakia, Spain and Sweden), 43% of foundations were set up during the last period surveyed. Noticeable examples of this growth include:

- Slovakia: increase from 103 to 338 foundations over ten years. This mainly reflects legislative changes in 2002 which required pre-registration of all foundations
- Italy: the number of foundations increased by 133%. Since the 1990 Amato Law was introduced, 90 foundations of banking origin were set up
- Germany: an increase of 103% of independent foundations

From 2001 to 2007, Dutch public-benefit foundations increased by c.40%. In Ireland, where there were 30 public foundations, by 2005 there were 107, an increase of 257% in six years.

Figure 6 below shows absolute numbers of newly-created foundations for periods varying from 7 to 11 years. Over 18,000 foundations were created in nine EU countries. During the last year of the decade surveyed, Germany saw the creation of the highest number of foundations, at 852, an average of over two foundations per day.

In Italy the foundations created in the last decade represent over half of all foundations existing in the country.

In Estonia virtually all foundations (638) were created after independence in 1996, when the present laws on foundations came into force.

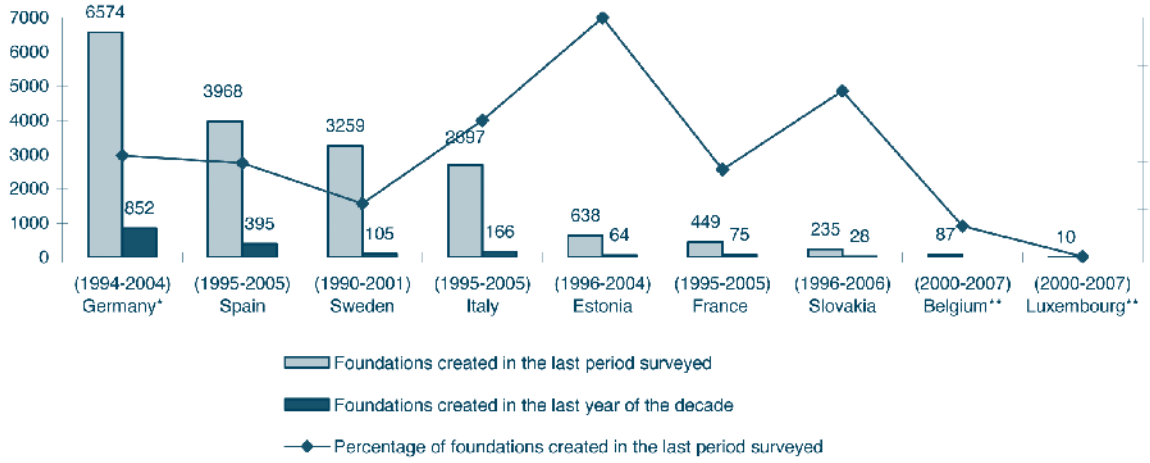

Figure 6: Number of foundations created in nine EU Member States in the last decade surveyed and the last year of this decade

* Independent foundations
** Number of foundations crated in the last year surveyed not available

How do foundations allocate their resources?

Areas of interest

Data on areas of interest were provided in two ways and reflect either the amount of spending on each area of interest or the number of foundations interested in each area. Both types of data are represented in figure 7 below.

The overview of expenditure per area of interest for a sample of 36,717 foundations in seven EU countries shows that foundations spend most in health and social services. The latter is strongly supported by foundations from France (36% of all their support) and The Netherlands (31%). French foundations direct the majority of their support to health (49% of all their support). In The Netherlands foundations focus strongly on international relations and development (45%). The strongest support for employment comes from Belgian foundations. Swedish foundations mainly support science (48%).

The overview of the main areas of interest in decreasing order of interest for a sample of 9,380 foundations in six EU countries shows that most foundations support arts and culture, followed by social services (36% in Germany), education and initial training (29% in Slovakia) and science (15% in Spain).

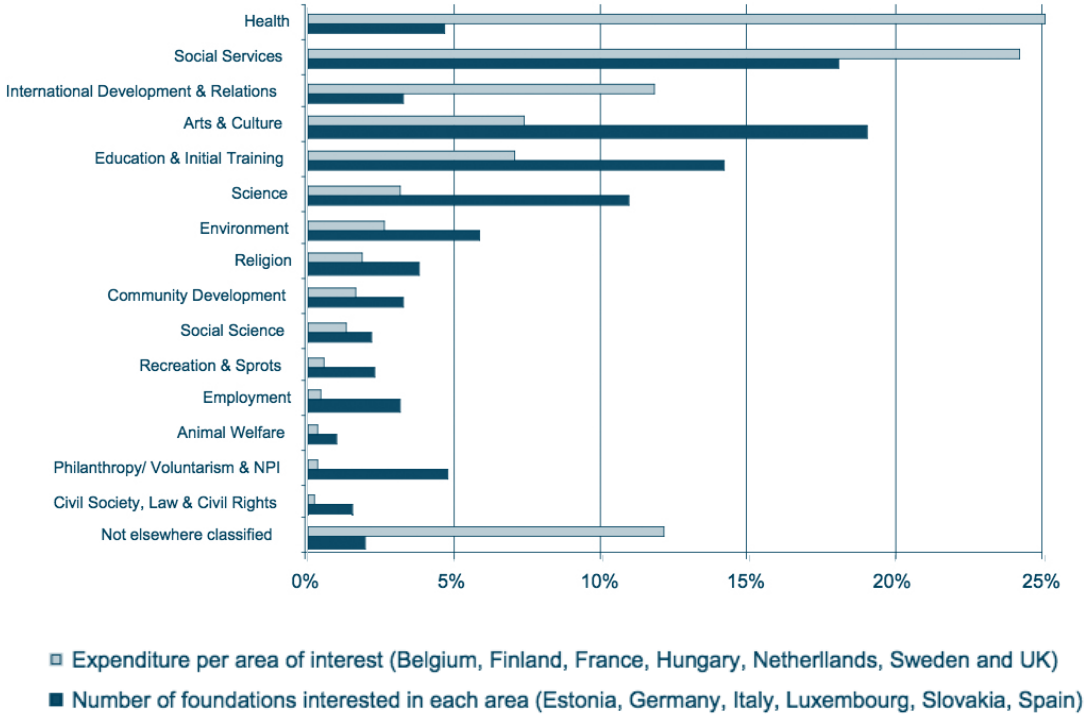

Figure 7: Distribution of foundations' support by fields of interest in 13 EU Member States

Geographic areas of interest

Data on geographic areas of interest were provided in two ways and reflect either the amount of spending, or the number of foundations interested, in each geographic area of interest. Both types of data are represented in figure 8 below. Both analysis of geographic areas of interest among six countries reveals that funders mostly support activities at local and national level. Cross-border support is most often given to other EU countries.

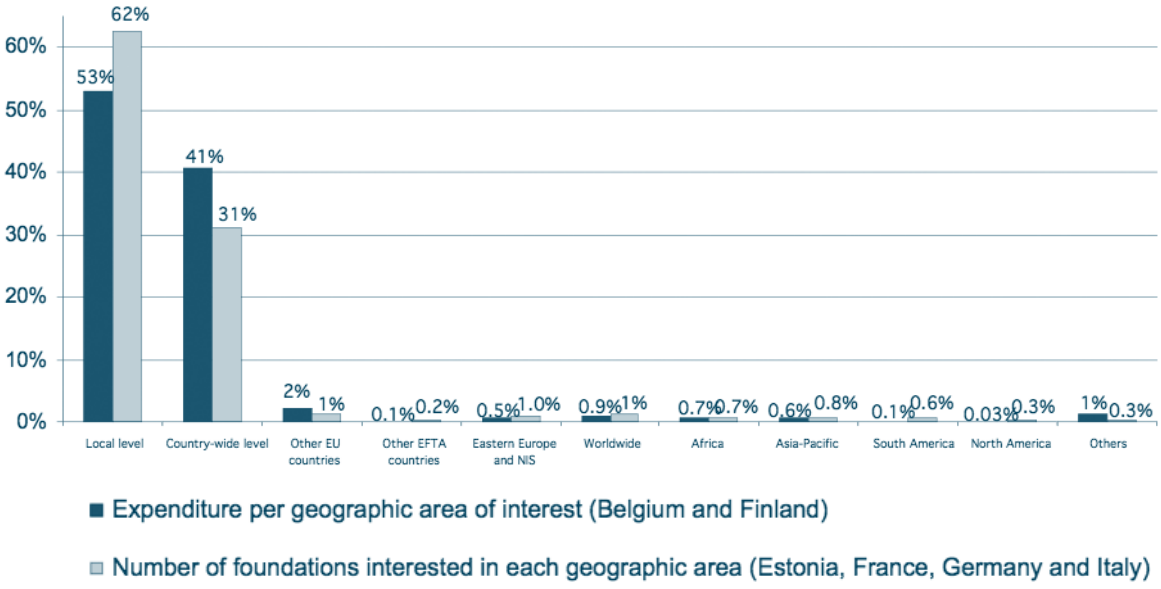

Figure 8: Breakdown of foundations' support by geographical areas in seven EU countries

FOUNDATION REGULATORY AND OPERATING FRAMEWORKS

The Research Task Force (RTF) selected various key issues to improve understanding of foundations and how they work. They focus on foundations' income and investment practices, their establishment and governance, cooperation among foundations and other stakeholders, and foundation evaluation. Generic information was drawn from a wide range of recent publications on the situation across Europe, giving an analytical overview on each topic, and where possible indicating national discrepancies, and illustrating the diversity of situations.

Foundations' income and investment practices

Where does foundation income originate?

Most foundations derive their income from an endowment, a capital sum given by an individual, family, company or another organisation, and in some cases a government institution. The endowment can take the form of 'movable' property: cash, shares, bonds, works of art, authorial rights, research licences or 'immovable' property: real estate. The endowment provides an income that benefits from tax exemptions or deduction in most EU countries, and enables the foundation to carry out its activities, giving grants to third parties and/or operating its own programmes. Increasingly, foundations in Europe receive their income from various sources, sometimes in addition to their initial endowment. Sources include: bequests and gifts from individuals, ad hoc or regular gifts from companies, regular appeals to public generosity, self-generated income from goods and services, public procurement, contracts from public authorities, and gambling or lottery proceeds. Some foundations also act as brokers for other donors and collect and pool funds to benefit a place (community foundation) or a specific field (contributions from religious bodies).

Research on foundations' investment practices

Although the total value of foundations' assets is large, little is known about how foundations invest these assets comparatively across Europe. The past decade has seen growing interest in this topic, and groups of foundations and private firms have engaged in the field. In 2002, EFC members, led by the Van Leer Group Foundation, raised the idea of creating a platform for European Foundation Financial Officers (EFFIO) to address specific European investment issues. To date, EFFIO has attracted 20 foundations who exchange ideas and information on investment issues.

The EFC Social Investment Group brings together representatives from foundations, business, private investors and multilateral agencies to encourage knowledge and expertise-sharing, and networking, and more foundation involvement and collaboration in the social investment arena. Underlying this is the wish to get a better understanding of foundations' needs, motivations, strategies and how they can add value in this area, and developing knowledge and tools to support foundations' work.

The Bellagio Forum for Sustainable Development (BFSD), an international network of foundations, NGOs, media institutions and corporations, was launched in 1993 at the Rockefeller Foundation's initiative. It has members in Asia, Europe and North America. Its mission is to foster cooperation which contributes to environmental balance, economic stability and social progress in an international framework. As a catalyst between the private sector, civil society and government, BFSD has become a leading voice of responsible investment and endowment-management on sustainable development.

Watson Wyatt Worldwide is a consultancy which focuses on human capital and financial management. In 2003, a Swiss branch surveyed foundation asset management practices in Europe. The project aims to gather ten years' reports, accounts and annual reviews of grant-making activities for the largest European foundations, plus statutes and statements of investment principle. The project began in Italy to perform peer group benchmarking of Italian foundations of banking origin and larger European foundations, to develop foundation risk indicators to give a broader risk-management perspective. Two reports on Germany, Italy, Sweden and The UK were published in 2006.

Who sets up foundations and why?

Independent foundations are by far the most common type, ranging from over half in Sweden to over 90% in Germany, Italy and The UK. They are usually set up by individuals, families, and private institutions, eg associations. The few surveys that have explicitly examined founders' motivations usually reveal different drives according to the type of founder.

Individual founders

The large majority of foundations are set up by an individual using her/his personal wealth, or by a joint initiative of several individuals. Individuals have accounted for 65% of founders in Germany since the 1950s. Men generally form the majority of founders and tend to be middle-aged senior executives. Women philanthropists and new-wealth donors, including information, communications and high-tech people, may gradually change this pattern. Surveys show that women generally have a different approach to giving, seeking high engagement in philanthropic endeavours and a tangible impact. Several new donors want to give during their lifetime and set up a foundation designed to 'spend out' the endowment over a specific period. Interest in a particular project, strong attachment to a cause, the founder's belief or the convictions of the person who inspired the project, are for many the key reasons to set up a foundation.

Private institutions and families as key initiators

Private institutions are important foundation-creators. In Sweden, 'civil society foundations', set up by non-profit and voluntary organisations, account for 16.5 % of the foundation sector. In France, associations set up 16% of all foundations. Foundations set up by families are also common, particularly in The UK, where they represented 38% of the top 500 grant-making trusts in 2007. For private institutions, the driving force is often a powerful management tool, which ensures the organisation's actions are sustainable. In some cases, the association, particularly associating people to serve a public-purpose objective, can be the first step in the organisation's development. It may decide to dissolve itself on the foundation's launch.

Public authorities

Government-linked foundations are found in most countries. In 2005, they ranged from 2.5% in France, 5% in Germany, 6% in Italy, 9% in Belgium, and 16% in Sweden. Local, regional, national or supranational government bodies provide initial capital or make grants to the foundation periodically, usually annually. These foundations may obtain further funds from non-government sources, but chiefly rely on government funding. The number of public-origin foundations has grown in recent years.

Examples include the creation in Sweden of wage-earner fund foundations and university foundations in the early 1990s, and the creation in France of university and partnership foundations in 2006 and 2007. In some cases, public-origin foundations have resulted from inter-governmental agreements (eg the Anglo-German Foundation and the Fondation Entente Franco-Allemande). A supranational example is the Dublin-based European Foundation for the Improvement of Living & Working Conditions. Public authorities often regard helping create a foundation as a flexible tool to increase resources for specific public policies, eg research. It is also seen as an effective structure to rally public and private support for economic and social development in specific geographic areas.

Business

Corporate-related foundations exist in most European countries. They consist of company-established foundations which receive annual contributions from the company to handle funds they will distribute. In 'independent corporate foundations', the majority of the governing board's trustees are independent public or private sector people, though a minority may have ties to the donor company. 'Corporate foundations' usually maintain close ties with the parent company, and their giving usually reflects company interests. Corporations set up foundations for various reasons: streamlining corporate giving to avoid fluctuations from financing community investment solely from current income, increasing the effectiveness of their operations in communities they work in, making company-giving an internal communications tool, and stemming the number of funding requests to the company. Tax advantages are rarely cited by founding companies as a key motivation.

Such foundations are found across the EU, including the Carlsberg Fondet in Denmark, the Lundbeck Foundation and Robert Bosch Foundations in Germany, Fundación MAPFRE in Spain, or in The Netherlands, the Stichting Ingka Foundation, a Dutch-registered foundation that became the new owner of the IKEA Group in 1982.

Europe has a third type of corporate-related foundation, the 'foundation with corporate interests', which owns the company, or the bulk of its shares. The foundation becomes the company's sole or major owner with or without voting rights.

> In Italy, the 1990 Amato Law set up some 90 foundations of banking origin. They represent 0.9% of the total number of foundations, but their assets amount to some €45.8bn out of the €85.4bn for the whole Italian sector.

Creators of foundation-owning corporations have the twin goals of "preserving, strengthening and assuring the managerial continuity of their corporations while at the same time serving the public interest."

Community 'multi-founders' foundations

The number of 'multi-founders' foundations is growing across the EU with the development of community foundations, which support activities in a geographic area (eg city or region). According to Community Philanthropy Watch, there were 183 of them in 2004. Foundations created by law are also an important characteristic of foundations' development in Europe.

Other founding bodies include churches, which are behind a large share of foundations in some EU countries, eg 8.5% of the sector in Sweden.

Who runs foundations?

Public-benefit foundations are recognised as legal persons which deliver their public-benefit objective in accordance with corporate governance: transparency, openness and responsibility. This means foundations must pay attention to their governance and organisational structures as well as their human resources.

Foundations' boards

Governance gives the foundation its mission statement, a sense of purpose and direction, policies to cover operations and grant-making, and the wherewithal to accomplish the job. Unlike many other non-profit organisations, foundations do not have members and decisions are not taken by a membership assembly. Instead, they are governed by a board of directors, which must ensure the foundation's resources are used for legally-acceptable public purposes and to fulfil its mission according to its stated purpose. The exact structure and name of this body varies between countries, but all provide for its authority.

The board's role

The board's responsibilities are ensuring the foundation's compliance with the law and the organisation's bylaws, determining and monitoring the foundation's programmes and policies, and checking they are consistent with the stated mission and purposes and the foundation's resources. Other responsibilities include ensuring the foundation's financial resources are managed effectively and properly, ensuring the foundation has a regularly-updated mission statement, choosing new board members, selecting the Chief Executive, supporting her/his work and evaluating performance, ensuring effective strategic and organisational planning, enhancing the foundation's public image by, inter alia, having a board member, as the foundation's spokesperson, and assessing its own performance as a board. That supervisory function requires broad knowledge of the foundation's financial and programme operations.

Setting up the board

Throughout Europe, setting up a foundation requires drafting a deed of constitution and governing documents ('statutes' or 'bylaws'). The deed or statutes must contain the rules under which the foundation is governed. The deed usually expresses the donor's wish to establish a foundation. In providing for the endowment and appointment of directors, the statutes are more detailed, setting out the foundation's internal organisation and governance. Laws in European countries make few requirements about a foundation's internal governance.

Board composition

A single board or council usually governs foundations, and most countries allow the board to comprise just a single member. In Austria and Switzerland, the minimum board size is one member. In Italy, at least two members must serve (the chair plus one). Spanish law requires at least three board members. French law is an exception to the recognition of the founder's will since a maximum of 12 board members is permitted. The rules on renewing the board, which must be defined in the statutes, may differ according to the foundation's type and size. For small foundations, the time-consuming task of identifying new members and disruption to board continuity may far outweigh the benefits gained from regular renewal of the governing body. Conversely, for a large foundation, fixed terms and mandatory retirement ages may be vital for long-term effectiveness.

Board pay

Some countries, including Ireland, forbid payment of fees and/or salaries. Board members are generally volunteers and may have their expenses reimbursed. Board pay is often related to foundation size and activities. Compensation must be reasonable and relate to services rendered.

Board member profiles

A foundation's type and the size can also have an impact on board members' profiles. For example, with an independent family-controlled foundation, family members or descendants of the donor(s) comprise the majority of governing board positions. This is not so with other independent foundations, where most directors/trustees have no relation to the donor family. For community foundations, it is helpful to be governed by a board which represents the whole community. In corporate foundations' governing boards, most directors/trustees are often retired employees or board members from the donor company. When the foundation is government-linked, key governing board positions are determined by government. Board member profiles will also depend on the foundation's activities. While they need not be experts in every area of interest, a certain level of knowledge is sometimes essential. For example, it would be irresponsible for a foundation devoted to medical research to operate without board members who are able to judge the need for and quality of its work. Similarly, if a foundation focuses on public policy, the presence of respected politicians on its board will add credibility. A board also needs people with foundation management skills, especially members who serve on audit committees or other specialised board bodies that ensure the wise deployment of foundation resources.

Other governance structures: Committees

Foundation boards can delegate some authority to specialised committees. The need for committees is linked to the scope of a foundation's operations. For example, large boards or those that rarely meet may appoint an executive committee with authority to make major decisions between regular board meetings and oversee top management. As a foundation grows, an investment committee may become necessary to monitor its financial health. Other committees may be created (eg an audit committee to oversee the accounting and financial processes, or a grant committee to decide on allocating grant funding). In some cases, a governance or supervisory committee could also be created to oversee the board's work, developing standards and criteria for the board's operation, board committees, and members.

Management: Human resources

Management implements the mission statement, runs the organisation on a day-to-day basis and ensures operations are in line with policy directives. Many internal and external factors can consequently determine the size, shape and nature of a foundation's human resources. They include the foundation's size, mission (multi-purpose or subject-specific) and strategic choices (operating and/or grant-making working method)

Foundation staff profiles

Foundation staff may include not just staff but volunteers, consultants and board members. For example, in Germany, small foundations with limited assets are often staffed by trustees. But in the long term such a strategy is only possible for small foundations with a limited range of interests. Once programme areas become diverse or the foundation's structure becomes more complex, professional staff are needed. This is an increasing trend among European foundations. Foundations face a long list of options regarding their staff's size and qualifications. The scale can range from a single professional programme manager to organisations of several hundred staff members. Foundations may require four types of staff: financial, administration and programme experts, and communications talents. Most programme officers are academically trained individuals who have had research or other working experience before joining the foundation. They may need scientific, medical, political, economic or other knowledge and must be able to apply this to the task of managing knowledge rather than researching it.

Employee numbers

There are few statistics on European foundation staff numbers or profiles. In eight EU countries, Belgium, the Czech Republic, Estonia, Finland, France, Hungary, Italy, and Spain, the 32,000 foundations surveyed in 2005 employed some 274,000 people, an average of nine employees per foundation. But this may conceal variations between foundations with over 100 staff and those employing fewer than five.

Gender issues

Few European-level data are available on staff profiles and gender balance. Findings from national surveys show that women often form the majority of foundation staff. This is true in France where 70% of staff in foundations are women. In a Danish study, 21% of boards were female. In the administration, the percentage of women is three times as high at 65%. About half of administrative directors are women. Similarities to other voluntary organisations are striking. In Denmark, it seems women rarely become board members in voluntary organisations.

Staff pay

There have been few surveys on foundation staff pay. A 2007 study in the UK reveals that 1% of staff employed by the top 500 trusts earn over £50,000 a year, while the average 'top salary' in the top 500 trusts is £86,000 per annum. This has increased by 2.6% in real terms since 2004-5.

Volunteers

How far volunteers are involved largely depends on the type of foundation, its assets and annual expenditure. In all cases, the reason to include volunteers in philanthropy are: they provide expertise which foundations cannot afford at professional rates; the contribution of expertise is only needed for a limited period each year, but the need is recurrent; many people are required to process applications (often the case with foundations which award prizes). The RTF's surveys confirm that volunteering is an important feature of the foundation sector. It covers a variety of people involved in the foundation, who participate without material or financial remuneration in foundations' boards of directors, evaluation committees and, in some cases, fund-raising activities.

External experts/consultants

Foundations also frequently rely on support from independent experts/external consultants. Contributions to running existing foundations can consist of expertise unavailable in-house: specialist knowledge, evaluation, communications, personnel recruitment, new venture designs, restructuring foundation programmes, or simply giving an outside view to help with decision-making.

Partnerships among foundations

Cooperation among foundations is a developing phenomenon. Since EFC's creation in 1989, increasing numbers of foundation members have launched joint projects and programmes. EFC's members are important drivers of European civil society, fuelling organisations on the ground and contributing to EU policies which promote and develop civil society. EFC events such as the Annual General Assembly and Conference encourage networking among foundations at European level and foster further cooperation. The creation of the Donors and Foundations' Network in Europe (DAFNE) in 2006, which links Donors and Foundations' Networks (DFNs) in several EU countries, is evidence of this trend towards collaboration. There are currently 16 DFNs across the EU: in Belgium, the Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and the UK. Others are being developed. DAFNE provides a platform for enhancing bilateral and multilateral collaboration among DFNs and collectively, with EFC and third parties. Cooperation can take various forms between two or more organisations. There is cooperation not only on a national basis, but also between foundations from different countries. Foundations' cooperative networks at European level have enabled the development of projects within and outside the EU.

EFC Projects and Interest Groups

EFC members have set up a series of Interest Groups to allow foundations with common interests in a specific field or region to work together. All groups aim to: mobilise philanthropic leadership and resources to address specific issues, promote an enabling environment for independent giving in their field of interest; provide foundations, corporate funders and their partners active in their field of interest with a platform for debate, exchange of information and best practice; and offer collaboration opportunities. They work across a broad range of areas including the environment, health, science, and research, and socio-economic development.

The European HIV/AIDS Funders Group strengthens European philanthropy in the field of HIV/AIDS

The Diversity Interest Group acts as the hub for activity relating to diversity, migration and integration

The Disability Interest Group increases debate on and creates partnership for vocational training and employment for people with disabilities in Europe

The Social Investment Group encourages the exchange of expertise among foundations, business, private investors and multilateral agencies and more foundation involvement in global social investment

The Grant-makers East Forum (GEF) develops civil society in central and eastern Europe (CEE) and the New Independent States (NIS) by giving funders a platform to increase their grant-making effectiveness and encourage new donor activity

The Latin America and Caribbean Funders' Network strengthens communities and civic participation in the region, and encourages dialogue and cooperation between foundations, business, multi-lateral institutions and governments

TheTransatlantic Initiatives establishes joint ventures between European and US public and private donors to promote transatlantic understanding and cooperation in other regions

The Trans-Mediterranean Civil Society Dialogue (TMCD) develops a dialogue on issues of common concern among players active in the region, which helps launch and sustain initiatives

The Sub-Saharan Africa Funders Network (SSAFN) stimulates critical reflection on grant-making priorities and practice towards increasing funders' effectiveness, fostering cooperation and encouraging new donor activity in the region

Europe in the World (EiTW) advocates and mobilises more leadership, collaboration and resources for global development

Other European and international cooperative funders networks and initiatives

Current cooperative research projects are testimony to the growing interest among foundations in European and international cooperation.

The Network of European Foundations (NEF) for Innovative Cooperation is principally committed to developing operational cooperation between foundations in Europe, but is also open to collaboration with public and private sectors; their target areas to promote systemic social change include: migration, European citizenship, supporting European integration, youth empowerment, and global European projects

The European Venture Philanthropist Association (EVPA) provides a forum for networking with others to achieve common objectives

The Transatlantic Community Foundation Network (TCFN) identifies and shares best practice with emerging and existing community foundations on both sides of the Atlantic

The European Fund for the Balkans is designed to engage European foundations to become more active in south-eastern Europe and prepare those societies for their future in the EU

Transnational Giving Europe (TGE), is a collaborative network of important European foundations initiated by the King Baudouin Foundation which aims to promote cross-border giving for projects in Belgium from European countries, or to provide gifts from Belgium for projects elsewhere in Europe. TGE facilitates administrative processes for the funder, guarantees project quality and ensures fiscal deductibility for cross-border giving

The European Foundation Financial and Investment Officers (EFFIO) examines concrete investment topics, trends and developments from a European perspective

The European Grouping of Social Economy Foundations brings together a group of European foundations set up by mutual/friendly societies and cooperatives, initiates various European projects focusing on social economy and the integration of young people/migrants through employment

Foundations for Peace provides for leaders from five foundations based in areas of conflict to address the problems of funding social justice, inclusion and peace-building in divided societies

The Bellagio Forum for Sustainable Development embraces a network of foundations, NGOs, media institutions and corporations, acting as a catalyst between the private sector, civil society and government on sustainable development

Worldwide Initiatives for Grant-makers Support (WINGS) is a global network of 100 membership associations and support organisations serving grant-makers, which develops modes of communication and collaboration to help strengthen philanthropy and address common issues related to their support for grant-makers worldwide

For further details on these interest groups and international initiatives, see EFC's website: www.efc.be

Foundations cooperation with corporations

Cooperation between foundations and companies ranges from project-based partnership, and promotional activities to institutional links. Foundations also offer advice and support for companies' community programmes, helping maximise the impact of corporate giving.

Corporate foundations

Corporate foundations distribute their resources through grant-making or operational programmes, or both. They typically have specific funding priorities and operating policies. These are often closely linked to the company's office or factory sites and business interests. But there are foundations which fund projects with no direct relation to business activities or operate beyond business sites. Since corporate giving is often linked to overall image and market development, a broader geographic scope can help the company's reputation as a good corporate citizen, and establish name recognition and goodwill. Corporate foundations also play an important role engaging company employees in designing and implementing its community programmes as a natural ally and resource.

Company-foundation programme-based cooperation

Managing community investment or corporate giving programmes is a major challenge for global corporations and small and medium-sized enterprises (SMEs) owing to often limited human and financial resources and community knowledge and programme management expertise. Establishing partnerships with foundations at local level offers an

effective way to meet this challenge. The added value of such partnerships is that it connects businesses with experienced philanthropists and enhances their image in the community. It also enables businesses to draw on foundations' resources, networks, community knowledge, and expertise in programme management to make best use of resources. Community foundations can be particularly interesting and valuable partners at local level as they know the community's needs and actors, and can help develop long-term relations with the local community.

Corporate giving programmes

Corporate giving programmes work similarly to corporate foundations but are not bound by the legal framework that regulates corporate foundations. Contribution budgets are linked to company profits and are allocated annually, usually as a fixed percentage of company profits. They can be managed by community relations or public relations departments or the CEO's office. They are usually closely aligned with business objectives and a company's location. An international corporation may establish a global corporate community investment strategy. But local managers, depending on the community's needs, often define specific actions and priorities. Foundations can help companies with the design and management of their corporate community investment strategy, particularly community involvement. Foundations advise companies on best practice grant-making programmes, targeting specific organisations or interests.

Employee giving and volunteering

Enabling employee giving and volunteering schemes as part of a company's corporate citizenship strategy has been growing in popularity and importance. These schemes are generally designed and implemented by the company's foundation or giving programme, and/or in partnership with other foundations and NGOs. Companies have recognised that employee involvement in the community brings many benefits, particularly regarding improved employee morale and commitment, skills development, and recruitment. Employee volunteering can also be an effective way to build long-term relationships within communities. Foundations have been working with companies to develop tax-effective payroll giving schemes, which allow employees to make regular donations direct from their gross salary to their chosen non-profit charitable organisation, and to build a matched-giving programme to support employees' charitable giving through matching donations, fund-raising and volunteering time.

Corporate funds

In some foundation-corporate partnerships, foundations support companies' grant-making activities by managing and distributing funds on their behalf. Foundations house corporate funds for a limited period, which can be renewed by both parties. Examples include projects involving health, sport and the food industry for health care, social integration, children and young people.

Such partnerships have produced, among others, the London Benchmarking Group model, the ProbusBNW Corporate Community Involvement Index, and the Measuring the Business Value of Corporate Philanthropy tool kit.

Another example of such an approach is the 'Clean Business' programme, a Polish Environmental Foundation initiative. This aims to improve the competitiveness of companies in Poland by demonstrating that dealing with environmental issues in daily operations is a key contribution to business success, environmental improvement and social revitalisation. It is specifically designed for small and medium-sized enterprises (SMEs) but is open to any company that wishes to participate. In August 2006, 330 SMEs were actively involved in the programme.

Corporate community involvement: promotion, evaluation and effectiveness

Peer-to-peer pressure and knowledge transfer are both important ways to increase and enhance the practice of corporate community investment. Foundations and corporate community affairs managers support efforts to improve tools to implement, monitor and measure the effectiveness of company involvement in communities.

Foundations can help coordinate different initiatives to achieve greater coherence among existing initiatives in evaluation, reporting, validation, etc, as well as contributing their own knowledge and expertise. They can also create value by enabling dialogue and partnerships, and supporting further research in the field.

Europe-wide foundation and corporate platforms

The European Foundation Centre

EFC works on various projects to ease cooperation between foundations and companies by promoting good corporate citizenship and community investment through its Corporate Citizenship Europe (CCE) programme. This is achieved by encouraging networking and learning between foundations and corporations, helping with local partner identification, and providing targeted information to corporate members. Nationally, the CCE Intermediaries Network aims to promote and support the activities of intermediary organisations that provide a corporate philanthropy bridge between corporate citizens and citizens' associations that address community needs.

WINGS Corporate Initiative
The Worldwide Initiatives for Grant-makers Support (WINGS) Corporate Initiative convenes organisations supporting the work of corporate grant-makers and promoting new corporate social investment. Some 30 associations and support organisations in the WINGS network promote corporate philanthropy and provide services to corporate grant-makers, six of which are based in Europe. Services include workshops and seminars, annual conferences, research, publications, and other special programmes to highlight the contributions of corporations and corporate giving programmes to social investment.

Foundations' cooperation with public authorities

Cooperation between foundations and local, regional, national and supranational authorities and institutions has a long tradition. In recent years, policy-makers have paid increased attention to foundations and have taken a central role in discussions on the future of economic, social and other policies. Public authorities have strengthened their links with the foundation sector and explored many different kinds of cooperation, ranging from institutional links to policy work. It can be developed as collaborative funding and project-based partnerships, implementation and re-granting schemes, and follow-up of successful foundation initiatives. Where foundations can support innovation, public authorities can mainstream it.

Linking resources, expertise and needs

Foundations' development requires enabling laws from national governments, and on tax provisions, which allows donors to create endowments. Government policy ranges from outright disregard to regulation to ensure foundations' rights are not abused. With governments reviewing cooperation with the non-profit sector and spending on new socio-economic programmes, research and community development, how may public needs be addressed through initiatives launched and funded with and within the sector? Partnering and co-funding with foundations represents an attractive option for five key reasons.

- Foundations can help build partnerships across sectors by bringing together different actors in society, from multinational agencies, central government, local authorities, to private and charity sectors jointly to address social, environmental, educational, scientific and economic challenges. Their financial independence and flexibility allow foundations to pool resources and know-how. Partnership is at the core of many foundations' work, including those working locally
- Foundations can experiment and take a long-term perspective, unlike elected governments, for-profit companies and fund-raising organisations faced by shorter-term considerations. They are in a position to provide flexible social capital for citizens, operating their own programme or supporting other non-profit entities to develop useful models for long-term public action
- Foundations can complement governments or help leverage public funding
- Foundations can inject resources where public authorities are unable to operate for legal or other constraints
- Foundations give a human dimension to public actions. They place the individual at the centre of their concerns, which are about increasing citizen participation by strengthening civil society. They focus on the rule of law and civil society, socio-economic development and citizen integration, respect for minority rights, media freedom, tolerance and pluralism, and can reach parts of society that government cannot

The Friedrich Naumann Foundation, a German political body, is one example. Another is the establishment of the Big Lottery Fund by the British Government in 2003-4 as the new lottery distributor, bringing together the Community Fund and the New Opportunities Fund.

A private tool to promote public work

Public authorities set up foundations, which are governed by public or private law. Foundations of public origin are often run independently once the foundation is set up. But in some cases, public authorities maintain their influence either through funding schemes or the foundation's governance structure. Once created, these foundations may obtain additional funds from non-governmental sources; but others will mainly rely on public funds.

Government-linked foundations act in a range of different fields: environment, culture, education, research and science.

Examples include: the German Bundesstiftung Umwelt established in 1990 by the Federal Parliament, through which €1.3bn from the privatisation of the former state-owned steel group, Salzgitter AG, was used to set up an environmental foundation: Swedish public wage-earner funds transformed in the 1990s into private foundations to support research. In France, in 2004 a new foundation statute for Research Foundations of Public Utility was created to encourage public and private cooperation in research. These foundations' initial endowments are provided by industry, with the state providing matching funds. And in 2006, the statute of Scientific Cooperation Foundation (FCS) was created to provide research clusters and centres of excellence with a legal instrument for them to raise and manage funds.

In certain cases, foundations were created by inter-governmental agreements:

The Anglo-German Foundation and the Fondation Entente Franco-Allemande.

Supranational examples include the Anna Lindh Euro-Mediterranean Foundation for the Dialogue between Cultures (FAL). The foundation was set up in 2004 with a start–up grant from the European Commission in the framework of the Euro-Mediterranean Partnership/ Barcelona Process. It functions as a network of national networks among which a series of foundations based in the EU and the partnership countries, eg the European Cultural Foundation, the King Baudouin Foundation, the Hellenic Foundation for Culture, The Istanbul Foundation for Culture and Arts, the Fondazione Laboratorio Mediterraneo.

At local level, throughout the EU, a series of community foundations have been set up with public authority support, either as co-founders or co-funders.

Community Foundation for Ireland was set up in 2000 with an initial government grant of £I 300,000.

An intermediary body – Implementation and re-granting schemes

Public authorities are among foundations' many partners and donors. Some foundations can act as intermediaries to manage public schemes/services and redistribute public funds reaching out to the grassroots.

The Local Network Fund for Children and Young People in the UK is an example of a seven-year social regeneration programme for children and young people that public authorities have out-sourced to a network of community foundations and local organisations.

In Hungary, non-profit organisations including foundations have been increasingly involved in promoting public services in education, social welfare and health care. The law on public foundations introduced a special category of non-profit organisations that undertake state or local government functions, and are contracted by the state to provide them.

This intermediary function can also be found in re-granting EU funds and managing EU programmes.

The Community Foundation for Wiltshire & Swindon's Progress Fund initiative was made possible by the foundation's successful application to the European Social Fund (ESF) and enabled the Community Foundation to grant over €550,000 to 57 different local groups and projects to help the long-term unemployed, the elderly and families in crisis, among others between 2002-4.

Fundación ONCE manages 'Programa Acción', a programme to integrate people with disabilities through employment in Spain as an integral part of the multi-regional Operational Programme on 'Fight against Discrimination', an action of the European Social Fund (2000-6). As part of its training, the Fundación Luis Vives also worked as an intermediary body, managing an ESF global grant in the context of the Operational Programme on the Fight against Discrimination 2000-6. Over this period, it managed €13m targeted at Spanish NGOs working helping groups at risk of exclusion find jobs in Spain.

The European Cultural Foundation was among the first to run EU schemes. The foundation was closely involved with some major European educational programmes: ERASMUS and EURYDICE on behalf of the European Commission and worked closely with the Commission on the TEMPUS programme.

Before EU enlargement, the Open Estonia Foundation managed an EU support programme for civil society in Estonia.

Cooperating partners: joint schemes and projects

Public-private partnerships are sought to create financial and operational synergies, and maximise impact. Cooperation between governments and foundations is a possible way of advancing public policies, meeting citizens' needs and strengthening civil society by sharing resources and focusing their complementary roles on a common objective. Foundations act as financial retailers and venture capital banks for civil society, but are above all bodies of knowledge and expertise in varied fields, eg culture, science, social matters and environment.

The Foundation for German-Russian Youth Exchange

The Agreement on German-Russian Political Cooperation in Youth Issues provided the legal framework for creating the German-Russian Youth Exchange Foundation. This joint initiative of the German Ministry for Family Affairs, the Committee on Eastern European Economic Relations, and the Robert Bosch Foundation, facilitates youth exchanges and aims to remove bureaucratic obstacles. The Robert Bosch Stiftung expects its support will invigorate school exchanges, which cannot be financed with federal money.

Malaria prevention: cooperation with the World Health Organization

This project developed by the Hospital Clínic of Barcelona in the Manhiça Health Research Centre in Mozambique, and supported by Fundación BBVA, aimed to assess prophylactic use of an intermittent preventive treatment (IPT) with sulphadoxine-pyrimethamine, an affordable drug currently used and available for treating malaria in Africa. IPT was given to 2,000 Mozambican children in their first year through the WHO Expanded Programme of Immunisation. Findings from these studies are being debated and could lead to international health agencies recommending that the governments of endemic countries include IPT under malaria-prevention measures.

Children's Health: working with the World Bank

The Aga Khan Trust and the Bernard van Leer Foundation have joined the World Bank in supporting a mother and child health programme in Kenya.

The Roma Education Fund

In 2006, the Network of European Foundations (NEF) launched a cooperative effort between European foundations and the Roma Education Fund, to help close the educational-achievement gap between Roma and other children. This fund, created at the initiative of the World Bank and the Open Society Institute, is designed to help meet the social inclusion commitment agreed by governments in the framework of the Decade of Roma Inclusion 2005-15. The Steering Committee is chaired by the Freudenberg Stiftung, also representing NEF and EFC on the Fund's board. In this first phase, the other foundations involved are the Barrow-Cadbury Trust, the Evens Stichting, the Stiftung Erinnerung, Verantwortung und Zukunft, and the Charles Stewart Mott Foundation.

Cooperation frameworks: dialogue and policy developments

In recent years, foundations and the third sector in general have increased their efforts to develop more structured dialogue with public authorities at local, regional, national and European level, and multilaterals on regulatory issues and policy developments.

National level

Some national governments have set up special departments that serve as advisory and opinion-forming bodies on matters of concern to non-profit organisations. In some European countries, cooperation agreements at local and/or national level exist to improve, and in some cases formalise, interaction between public authorities and the non-profit sector.

Examples include written agreements (Compacts) issued in 1997-8 by the British Government to develop new types of relationship between public institutions and the third sector, the Estonian Civil Society Development Concept (EKAK) issued in 2004 on cooperation principles in developing and implementing public policies and building up civic society, the Council on Public Benefit Activities created by law on 2003 in Poland concerning public-benefit and volunteer work, and the Regional Programme of Development for Tuscany for 2003-5, which includes cooperation between that region and foundations of banking origin to reinforce cooperation in sectors of common interest for local development.

European Union

At EU level, few formal policy and consultation fora are devoted to non-profit organisations and foundations. Several foundations are represented on the European Economic & Social Committee, the Commission's consultative assembly of the various economic and social components of organised civil society. Policy work is also developed through all-party groups of Members of the European Parliament (MEPs) with special interest in specific issues eg people with disability, and social economy organisations. Foundations participate in Commission expert groups or fora on selected issues according to their area of expertise, culture, education, etc.

Recent initiatives include the Commission's experts group on research foundations set up in 2004 to recommend concrete policy measures to promote foundations' role in boosting research and technological development (R&D) investment at European and national level which led in 2007 to the launch of the Research Forum gathering foundations and researchers.

Since its inception, one of EFC's key services to its members is representing their interests at European level and monitoring development that affects independent funders.

An important part of this objective is the European foundation statute (EFS) which it is hoped if implemented will offer foundations a legal tool to perform and expand their operations across Europe. An international expert group comprising foundation practitioners and experts on law and economics was assembled in 2007 for a feasibility study on the EFS, with several EFC member foundations involved.

Since 1996, EFC has developed 'eurobriefing' information-exchange and action-oriented meetings between EFC members and Commission representatives on issues and regions of common interest. They take place annually.

Multilateral Institutions

Multilaterals have also begun to review partnerships. The OECD publishes documents on foundation development and cooperation to inform bilateral aid agencies of the origin, nature and work of foundations active in development. There are regular meetings between foundations and representatives from different UN agencies to increase mutual understanding, information exchange on key issues in global development, and approaches to address them, providing input to policy documents, and identifying opportunities for cooperation. The World Bank's CEERD programme Principles for Coalition examines the complementarities and advantages of partnering with foundations to support pilots technically and financially and take stock of existing bodies of knowledge, eg through existing networks.

Foundations' cooperation with other non-profit organisations

Non-profit organisations (NPOs) vary in mission, status, origin, structure, and funding arrangements. They can have an advocacy, service delivery, mutual aid or self-help, or a resource or coordination function. But NPOs share common features: they are private, self-governed, non-profit distributing bodies and must be active to some degree in the public arena, while their activity must be aimed at least in part in contributing to the public good. NPOs can be attractive partners for foundations because they are easily approachable, relatively flexible, and usually less bureaucratic than public partners. They have local knowledge and grass-roots hands-on expertise in their communities and sectors of operation or can reach out to specific population groups, which they represent or serve.

From grant-making to collaboration

There are various forms of cooperation between foundations and NPOs ranging from funding arrangement to wider cooperative schemes. The most usual type is a grantor-grantee relationship, where local, national or international NPOs receive grants from foundations to finance specific limited-duration projects initiated by these NPOs. NPOs' revenue structure varies considerably between countries, while public authorities' support is higher in some west European countries (over 60% in Ireland; Belgium, and Germany), philanthropy is more prominent in some new Member States (26% in Romania, 23 % in Slovakia, and 18% in Hungary).

EFC has developed European grant-making guidelines to document best practice in fields such as disaster grant-making (2001), and funding vocational training and employment for people with disabilities (2003). On the grant-seeking side, to help its members receive more targeted, relevant applications for grants, EFC has produced a brief guide for grant-seekers on how to approach foundations and corporate funders for support. About 90% of funding requests are declined immediately because they fall outside a funder's stated interest areas, geographical scope and beneficiaries, or are inadequately prepared and do not reflect an organisation's strengths and its ability to deliver a proposal's objectives. The funding research process is time-consuming, and does not immediately guarantee successful fund-raising, but certainly contributes to building constructive and enduring relationships with foundations.

Core costs, the costs of running an organisation, are essential, long-term and too often unattractive to funders. But there has been a move by some foundations to provide core cost funding to NPOs, either by providing full project funding (including staff time and office costs related to the project),offering development funding (funding professional development), or by giving strategic funding to the organisation. It can cover capacity-building support, or investing in non-profit effectiveness. Funding the core costs of an organisation whose work meets foundations' objectives is seen as a good way for a foundation to effect change. It gives the foundation an opportunity to get to know its grantee, and be confident of their impact, or assess where funding would be more effective.

Social investment can take various forms such as making loans, providing micro-credit, taking equity, offering loan guarantees, quasi-equity, and is sometime referred to as Programme Related Investments (PRI). In a survey held in 2006, some 65 foundations and corporate funders in 17 European countries were employing one or other form of social investments. Foundations engage in programme-related investments to support NPOs, for various reasons: to increase foundations' impact, ie they achieve more with the same amount of money, the need to develop stricter financial and management disciplines to help NPOs build financial and human capital, or to develop an income-generating venture. On the other side, a foundation can help NPOs by offering pre-funding, working or development capital, maintaining liquidity or providing leverage through loan guarantees enabling NPOs to access greater sums or better conditions from mainstream credit institutions.

Contracting

Cooperation can take a formal and integrated approach on a short-term project basis or a longer collaborative scheme. Foundations and NPOs can be partners in designing and delivering a project or matching their resources. The foundations can be involved in NPO working alliances which address NPO sector issues or coordinate NPO efforts. This type of cooperation can be found in advocacy efforts at national and EU level to mobilise a voice or a concerted role of the non-profit sector. Coalition-building is also developed in specific fields eg in the social sector at national level between foundations and NPOs to have a greater say, for example in managing and disbursing EU structural funds for social cohesion and regional development. Project partnerships and collaboration can be of interest for grant-making and for operating foundations that do not give grants to external parties, but can run or join collaborative ventures. These types of partnership are usually formed to respond to a need where other actors, private or public, may not yet be able or willing to act. For example, they may deliver training, credit opportunities in specific places, or emergency relief. The partnership is usually dissolved when its objectives have been met. Opportunities for partnership with NPOs lie in areas where their defined priorities overlap with those of foundations. The partnership should be clearly determined. Activities should be jointly determined and acknowledge mutual needs, priorities and potential.

Finding the right partners

Foundations must examine various factors before cooperating with an NPO to assess its reliability. Some relate to the nature of the organisation, others to the NPO's activities. The database 'Giving in Europe' developed by the King Baudouin Foundation gives an overview of the non-profit sector in Europe (see 'Beneficiaries across Europe') and country profiles that describe the operating environment for NPOs, with links to national databases with potential beneficiaries. One prerequisite, particularly where grant-making is concerned, is to check whether NPOs qualify as public-benefit/ public-good/charitable bodies. Some European tax regimes forbid public-benefit foundations from funding commercial organisations, or commercial projects undertaken by NPOs, which would jeopardise the public-benefit foundation's tax status. EFC has information on legal and tax regimes governing foundations in the EU, and the European Centre for Not-for-Profit Law has information on other non-profit organisations (associations, charities, etc). This is available on EFC's website. There are also restrictions on type of activity: eg NPOs' political activities or affiliations. Other factors to consider include its governance, resources, staffing, standards, track-record, and impact. Foundations should assess NPOs' performance carefully. This should be interpreted in the NPO's context, its environment and the constituencies it aims to serve.

How do foundations evaluate?

In the past decade, philanthropic foundations have focused more on evaluating their actions and developing new approaches to evaluation. This emphasis on the outcome of funding is part of the broad 'foundation effectiveness' and 'strategic philanthropy' movements developing worldwide. Foundations increasingly view evaluation as a core activity which contributes directly to achieving their strategic purposes and goals.

Evaluation function in foundations

Even though the term 'evaluation' is freely used among foundations to encompass an almost limitless array of processes serving many different purposes, there has recently been a clear shift away from using evaluation to show that a grant-maker and its grantees are delivering the promised results or to measure the impact of past grants, towards a more pragmatic process of gathering forward-looking information which enables grant-makers and grantees

to make continuous improvements in their work. In this new context, evaluation can be defined as: "the systematic and organised collection of information about the activities, characteristics, and outcomes of a programme, which are relevant to make judgments about the programme, improve programme effectiveness, and/or inform decisions about future programming". For European foundations, evaluation has important lessons for foundations, their partner organisations, other civil society organisations, and government. In this role, evaluation is increasingly recognised as having the capacity to strengthen foundations' accountability, management, understanding of their work's results, and credibility, by disseminating lessons about the results. There is no off-the-shelf approach to foundation evaluation. For foundations, the central question in designing an evaluation process is: what do we most need to learn so we and our partners can meet our goals? As foundations face different challenges, and have different values, strategies, assets, support and participate in many different kinds of activity, they have different learning needs. These require very different evaluation approaches. The various evaluation models and tools offer foundations a range of options from which to choose the evaluation approach best suited to each foundation's agenda.

Different levels of evaluation/focus of evaluation

Project-level/grant-monitoring evaluations

Project evaluation aims to assess the individual grant and investigate whether its recipient achieves the promised outcomes. It can be defined as the continuing collection and analysis of information for use in decision-making. When evaluating grants, foundations usually distinguish between ex ante grant-evaluation (before agreeing to give a grant for the project proposal) and ex post grant-evaluation (after the grant is provided and the project is being implemented). Both are based on criteria which best capture the required information. Foundations can use standard criteria developed by governments or the private sector when assessing project value, or fix ad hoc grant-making criteria according to a single project's characteristics. For each of these phases, the relevant questions and evaluation activity may differ between foundations.

A recent study by the Unidea Unicredit Foundation (Italy) concluded that for Italian banking foundations, the main recurrent ex ante project evaluation criteria are: innovation, focus on territory, presence of co-financing, social impact, network capability, collaboration with other public institutions and the private sector

With ex post grant evaluation, the Lloyds TSB Foundation for England & Wales (UK) defines a monitoring and evaluation policy which focuses on evaluating the difference the grant has made plus the challenges faced

For the Esmée Fairbairn Foundation (UK) ex post evaluation should consider the project's strengths and weaknesses and analyse success and failure.

Cluster-level/programme evaluation

Programme evaluation is carried out by clustering a set of grants and sorting them according to common elements. Evaluations of grant clusters or programme initiatives allow the foundation to achieve economies of scale by contracting one external professional evaluator to work across multiple organisations and sites.

Fondation de France began an evaluation of programmes in 2005, aiming to evaluate the projects supported over a six-year period. The foundation considered this approach the most appropriate to see if projects were still relevant over the long term and if they could still be 'innovative' in a societal context (an evaluation of societal needs, changes in laws, etc). The evaluation process confirmed the validity of most projects but, in some cases, it revealed that some kinds of project no longer needed support owing to changes in the law. But the findings recommended tackling emerging needs, or parts of programme objectives which remain under-represented in laws.

Impact-level/policy-making evaluation

This looks at a foundation's overall impact on the outside world. European foundations increasingly use evaluation to interpret the results of their funding efforts, enabling them to tell the public about their actions and influence activity by civil society and public authorities.

The Bernard van Leer Foundation (Netherlands) undertook the Effectiveness Initiative (EI) in 1999 to explore the characteristics and origins of effectiveness in its early childhood development programmes. This process aimed to promote an international dialogue on effectiveness that deepens understanding of how to create and/or support effective programming for young children and families

The Health Foundation (UK) stresses how a rigorous programme of evaluation is central to its strategy for improving the quality of health care, transmitting the findings to decision-makers in the field, and providing a forum for evidence-based analysis and debate on quality and health system performance issues

Policies and guidelines/evaluation tools

As US foundations have gained experience with evaluation methods, several handbooks have appeared. In Europe, only a few examples of evaluation tools have been registered.

In its self-assessment tool for trusts and foundations, the Association of Charitable Foundations (UK) has published a section on evaluation. The first part covers the evaluation of grants made (project level). The second covers evaluation of the trusts' own performances (impact level).

The Health Foundation (UK) has issued a handbook to support self-evaluation for grantees in the framework of the comprehensive evaluation of its leadership programme.

The King Baudouin Foundation (Belgium) has developed a concrete approach based on an evaluation matrix considering the process, output (deliverables), outcome (impact), and questions to be studied, the moment to perform the evaluation, audience, method, and evaluator. The matrix tool grasps the various meanings and purposes of a specific evaluation activity and the related working methods to be developed.

Methodological approaches of evaluation: qualitative and quantitative

Methodological approaches of evaluation are classified in two broad categories: qualitative (detecting and interpreting value judgments) and quantitative (detecting and interpreting quantities). Both approaches are strongly complementary.

Qualitative methods

These include three kinds of data collection: i) in-depth, open-ended interviews, ii) direct observation, and iii) written document analysis. The data for qualitative evaluation typically come from field-work. The evaluator spends time in the setting (a programme, organisation, or community) where change efforts can be observed, people interviewed, and documents analysed. Qualitative data help explain how programmes work and why they reach particular outcomes, why programmes faced certain obstacles, and may explain, and provide evidence of, hard-to-measure outcomes which cannot be defined quantitatively.

The Esmée Fairbairn Foundation commissioned evaluation of the operation and impact of the telephone advice service run by trained Springhill Prison inmates from the Oxford Citizens' Advice Bureau (OxCAB), in the framework of the OxCAB-Springhill Partnership (OSP). Research methods included in-depth interviews, attending meetings, observing advice work and the selection process, surveying CAB client satisfaction, and two focus groups to assess public opinion. The evaluators adopted an action research approach which allows a review of findings following the evaluation's first phase, which are included in the project's subsequent development before final evaluation.

Quantitative methods

These methods deal with numerical information. It usually answers the questions: where? when? how many?, and how often? Foundations might do this by questionnaire, which should ensure uniformity and make certain the process covers all outcomes. The questionnaire results can then be aggregated into indicators to assess the findings against the project's contextual factors.

The Lloyds TSB Foundation for England and Wales commissioned two evaluations in 2001 and 2002, built around a questionnaire for grantees and face-to-face interviews. However, evaluators found that using scales to measure assessment and how interviewees interpret scales is subjective and can sometimes cause difficulty.

The evaluators

The evaluation literature reports three kinds of evaluators: external and internal evaluators, and internal evaluators with external consultants. External evaluators are contracted from an outside agency to run the evaluation. An internal evaluator is a staff member assigned to the evaluation or hired in. The third category combines the efforts of staff and consultants' assistance. The evaluation's goals and audiences (for whom the evaluation is intended) should determine the evaluator's role. The choice between internal or external evaluation depends on the foundation's field of activity and its investment in evaluation. As the WK Kellogg Foundation evaluation tool-kit reports, a common range for evaluation spending by foundations is 5-10% of total programme costs, since costs vary by programme complexity, number of sites, customisation and the work needed for data collection, analysis, and reporting, plus scientific rigour. In the

framework of the Lloyds TSB Foundation for England and Wales's 2002 evaluation, trustees recognised the resource implications of investing in evaluation. In retrospect, this pilot evaluation required 1,396 hours, nearly equivalent to one full-time employee for a year.

External evaluators

As reported in a Compagnia di San Paolo study, most foundations engage an external adviser to evaluate projects, programmes and outcomes. External evaluators are trained in many fields and are based in many different types of institution: they can be academic researchers, consultants from independent practices, management support organisations, volunteers, sociologists, economists, psychologists and educators.

The Fondation de France commissioned a specialist firm for its evaluation of programmes in 2005. The firm made a quantitative and qualitative study of supported projects and analysed recent laws which affect the French disability sector

Evaluation of the telephone advice centre in the framework of the OxCAB-Springhill Partnership (OSP) funded by The Esmée Fairbairn Foundation was carried out by a research team from Oxford University's Centre for Criminological Research, and Cambridge University's Institute of Criminology

Internal evaluators

When an organisation employs its own staff to carry out an evaluation, it is usually termed 'self-evaluation'. Foundations report that the main advantages of an internal evaluator are the positive effects in terms of organisational development, the increase in communication between the foundation and its grantees, and the good grasp the evaluator has of the foundation's operation, easing the interviewing process and making answers easier to understand. But subjectivity might also be an issue, and how open grantees feel able to be with their evaluator-funder, particularly if they might apply for future grants.

The major 2002 evaluation of the Lloyds TSB Foundation for England and Wales was built around a questionnaire-based survey and focused on challenging disadvantages and discrimination in the mental health sector. It was conducted by foundation staff drawn from the central office in London and the ten regions involved. The foundation trained the staff involved and undertook pilot assessments before starting the whole survey.

Internal and External Evaluators

In some cases, foundations use both types of evaluators simultaneously.

During the implementation and evaluation phase (2001-5) of The Youth Empowerment Partnership Programme (YEPP), funded by a consortium of European and American foundations, internal evaluation was provided by the programme team, supported by the local researchers responsible for the programme's development where it was implemented, while external evaluation was provided by each country's OECD (Organisation for Economic Co-operation & Development) agency.

Throughout the evaluation, a reporting system is usually set up to establish consistent and interactive communication between the evaluation team and relevant stakeholders. This system helps refine the evaluation design, questions, methods and interpretations.

Communicating evaluation findings

By publicising evaluation findings, foundations make a major contribution to knowledge and foundations' public accountability. Foundations need to show they add value by generating social benefits beyond the mere financial power of their grants. One way to add value is by advancing the state of knowledge and practices in the foundation sector. They can do this by systematically evaluating their work and disseminating key information on what they have learned about their activities' results. The most common form of evaluation reporting is the final project report. Apart from a single report, some foundations use other means including newsletters, bulletins, fact sheets, visual displays, oral presentations, seminars, and press conferences. Through their websites, European foundations are communicating lessons learned from their evaluation processes more broadly than in the past.

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The European Foundation Centre is an international association of foundations and corporate funders dedicated to creating an enabling environment for foundations, documenting the foundation landscape, strengthening the infrastructure of the sector, and promoting collaboration, both among foundations and between foundations and other actors, to advance the public good in Europe and beyond

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