

**Foundations in Europe:
A comparative perspective**

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Abstract

Europe has a rich tapestry of foundations. The countries of this continent vary by the type, size, activities, role, development and recent growth of foundations. This paper first shows and then analyses these differences, and suggests common themes and policy implications.

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This paper is a shortened version of a chapter with the same title in a book called *Foundations in Europe: Society, Management and Law*, edited by Andreas Schülter, Volker Then and Peter Walkenhorst, Directory of Social Change, London, 2001.

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1 Introduction

Until recently, relatively little was known about the asset-holding component of the third or not for profit sector in a systematic way, with the exception of countries like the United Kingdom or Germany, and of course, the United States. These organisations are commonly referred to as ‘foundations’ or ‘charitable trusts’ holding assets, financial or otherwise, dedicated to serving a public purpose of their choice.

Comparative research on foundations remains altogether rare and usually involves country-specific comparisons (Anheier and Toepler, 1999), or takes on specific issues such as governance and accountability (Van der Ploegh, 1999). Even efforts that explored the role of nonprofit organisations more generally, most prominently the Johns Hopkins Comparative Nonprofit Sector Project (Salamon and Anheier, 1996; Salamon et al, 1999) did not focus on foundations explicitly.

Significantly, foundations remain uncharted from a comparative perspective *not* because we could expect little in terms of substance and relevance for our understanding of modern societies. Rather, the sheer complexity and richness of the phenomenon—historically, legally, politically as well as culturally—seems to preclude any systematic attempt to compare foundations cross-nationally. Indeed, among the first impressions one can gain from a cursory glance across Europe’s foundation world, is the great variety and diversity not only in terms of type, size, activities and role but also in the prevailing ‘philanthropic culture’ of particular countries. In this context, and against the backdrop of country reports prepared for a recent compendium (Schülter et al, 2001), the purpose of this paper is to fill some of the most glaring gaps in our comparative understanding of foundations in Europe.

1.1 Definitions

The rich tapestry of foundations in Europe speaks to us in different languages and uses a highly complex, sometimes confusing, terminology. At one level, *foundation*, *fondation*, *fundacion*, *fundacao*, *fundazione*, *Stiftung*, *stichting*, *stiftelse*, *éāñtía*, or *wakf*, share a common image: a separate, identifiable asset (the root meaning of *fund*, *fonds*) donated (the root of *stift*) to a particular purpose, usually public in nature (implying the root of philanthropy). But this is where commonalities end. The various legal traditions and systems in Europe define and treat foundations rather differently (Van der Ploegh, 1999; Gallop, 2001); and registration, legal practices and oversight regimes vary accordingly, sometimes even within the same country, as is the case in Germany or Switzerland.

The end result is a complicated terminological tangle: what is defined as a foundation in one country may not qualify as such in another. The Swedish ‘company foundations’ like the *Knut och Alice Wallenberg Foundation* and the Norwegian ‘commercial foundations’ would find it difficult to get passed the English Charity Commission, the independent public agency overseeing voluntary associations and foundations; likewise many English foundation could not exist as such according to French law, nor would the Charity Commission itself for that matter. The Austrian ‘private foundation’ and the Liechtensteinian family foundation could hardly expect the approval of the Belgian Ministry of Justice; and many Danish foundations would expect long-drawn out and uphill legal battles in Italian courts should they ever decide to re-establish themselves south of the Alps. In contrast, they would receive a much warmer welcome in Spain or the Netherlands.

What is more, not all organisations labelled ‘foundation’ are in fact foundations. Even though most legal systems incorporate the ancient Roman law differentiation between foundations based on some core asset (*universitas rerum*) and associations (*universitas personarum*), prevailing reality seems less clear-cut. In Poland and Hungary and other central and eastern European countries, many foundations are *de jure* and *de facto* either membership associations or some form of corporation, usually in the form of a limited liability company. The German political foundations like the *Friedrich-Ebert-Stiftung* or the *Konrad-Adenauer Stiftung* are state-supported political party organisations with no significant assets of their own; their operating budgets are largely covered by annual subventions from government. In legal terms, the party foundations are registered associations with leading party official as board members. In the Netherlands, the distinction between foundation (asset-based) and association (member-based) has become largely indistinguishable in the field of education and social services. In Switzerland some foundations are primarily investment trusts for families, pension schemes for corporations, or sickness funds for local governments (Steinert, 2001).

The definition of foundations varies from one country to another (See Anheier and Toepler, 1999, pp. 11–14) not along one primary axis but frequently along several dimensions. There are legal definitions that reflect either common law traditions with an emphasis on trusteeship (Britain), or civil law traditions with the important distinction between membership and non membership-based legal personalities (Switzerland, Germany) (Von der Ploegh, 1999). Other definitions bring in additional aspects such as type of founder (private or public), purpose (charitable or other), activities (grant-making or operating), revenue structure (single or multiple funding sources), asset type (own endowment or regular allocations), and the degree of independence from either the state or business interest.

To cut across this terminological tangle, this paper adopts an approach that has proven fruitful in a closely related area, the comparative study of nonprofit organisations (Salamon and Anheier, 1996). The adapted working definition is based on a slight modification of the structural/operational

definition developed by Salamon and Anheier (1997). Accordingly, we define a foundation as an asset, financial or otherwise, with the following characteristics:

1. *Non membership-based organisation.* The foundation must rest on an *original deed*, typically signified in a charter of incorporation or establishment that give the entity both intent of purpose and relative permanence. Other aspects include some degree of internal *organisational structure*, relative persistence of goals, structure and activities, and meaningful organisational boundaries. What are excluded are ad hoc and temporary funds and other assets that have neither real organisational structure around them, nor relatively permanent identity and purpose. Also excluded are membership-based associations and owner-based organisational forms. Thus, a foundation is not only a financial or other type of asset, but also an identifiable organisation.

2. *Private entity.* Foundations are institutionally separate from government, and are ‘non-governmental’ in the sense of being structurally separate from public agencies. Foundations can be created and set up by government, can receive significant government support and can even have government officials sit on their boards. Yet they cannot be instrumentality of government whether international, national or local. Therefore, foundations do not exercise governmental authority and are outside direct majoritarian control.

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

4. *Non-profit-distributing entity.* Foundations are not to return profits generated by either use of assets or the conduct of commercial activities to their owners, members, trustees or directors. A foundation may accumulate surplus in a given year, but the surplus must be applied to its basic mission (depending on pay-out requirements stipulated in the relevant tax laws), and not be distributed to owners or their equivalents. In this sense, foundations are private organisations that do not exist principally to generate profits for owners, either directly or indirectly, and that are not primarily guided by commercial goals and considerations.

5. *Serving a public purpose.* Foundations should do more than serve the needs of a narrowly defined social group or category, such as members of a family, or a closed circle of beneficiaries. Foundations are private assets that serve a public purpose. The public purpose may or may not be

charitable or tax-exempt in the relevant laws of a country, what is important is that the purpose be part of the public domain.¹

This definition serves as a common reference point only, and provides a framework against which we can position the types of foundations in the various European countries.

As with any comparative definition some problems remain at the ‘edges’ and in what could be called ‘gray zones’. Specifically, there are three major areas where the definition proposed here encounters difficulties (see Anheier, 2001 and Salamon and Anheier, 1997 for a further discussion):

- Where foundations come close to markets and change into economic actors primarily;
- Where foundations become instrumentality of the state; and
- Where they are dynastic means of asset protection and control.

Generally, however, the proposed definition that defines foundations as an asset-based, private, self-governing, nonprofit-distributing and public-serving organisations captures a common set of institutions across the different countries and regions. With the definition at hand, we can now take a closer look at the different types of foundations that exist in Europe.

2 A profile of foundations in Europe

Europe has a rich morphology of foundations. Grant-making foundations are usually regarded as the prototype of the modern foundation, which is largely a reflection of the US experience and post-war dominance in the field of philanthropy (Toepler, 1999). Yet the majority of foundations in Europe either operate or pursue their objectives by combining grant-making activities with the running of their own institutions, programmes and projects. Historically, of course, foundations were operating institutions primarily (e.g., hospitals, orphanages, school, universities), although many distributed money (alms-giving) and contributions in kind (food, wood). By contrast, the sharp distinction between grant-making and operating foundations emerged much later historically, and is for both the United States and Europe largely a product of the 19th and early 20th century (Karl and Katz, 1987; McCarthy, 1989; and Bulmer, 1999).

A look at three countries illustrates the rich morphology of foundations in Europe. According to the Swedish foundation law 1220/1996, there are two major types of foundations in Sweden: grant-making foundations (*avkastningsstiftelse*) and operating foundations (*verksamhetsstiftelse*). In addition, there are special types: the fund-raising foundation (*kollektivavtalsstiftelse*) and the

¹ The criterion ‘serving a public purpose’ is not part of the structural/operational definition. Instead, Salamon and Anheier use ‘voluntary’ as a criterion. ‘Serving a public purpose’ is used to distinguish

pension foundations (*tryggandestiftelse*). This legal classification coexists with more traditional forms like the church foundation and the family foundation. German foundations fall into three basic legal categories—public law foundations, civil law foundations, canon law foundations—and they are further classified by purpose—grant-making, operating, corporate—and organisational form—limited liability company, etc—yielding a complex typology. Finally, Turkish foundations are divided into pre-Republican or ‘old’ foundations in the tradition of the Islamic *waqf* system, and Republican or ‘new’ foundations, with each category being further refined according to founder, purpose and legal form.

Behind the complexity of forms, there are nonetheless several basic categories that allow us to group the most common types of foundations across Europe according the type of activity and type of founder:

Type of activity

- *Grant-making foundations*, i.e., endowed organisations that primarily engage in grant-making for specified purposes. Examples include the Leverhulme Trust in Britain, the Volkswagen Foundation in Germany, the Van Leer Foundation in the Netherlands or the Carlsberg Foundation in Denmark.
- *Operating foundations*, i.e., foundations that primarily operate their own programs and projects; Examples include the Fondation Pasteur in France, the Pescatore Foundation in Luxembourg, which runs a home for senior citizens or the Home for the Blind in Greece.
- *Mixed foundations*, i.e., foundations that operate their own programs and projects and engage in grant-making on a significant scale. Examples include the Gulbenkian Foundation in Portugal, the BBV Foundation in Spain or the Bosch Foundation in Germany.

Type of founder

- *Individual*, i.e., foundations founded by an individual, group of individuals or family whereby donors bring their private assets into the foundation. The nature of the assets can be stock and other shares in business firms, financial, real estate, patents etc.
- *Corporate foundations* come in several subtypes. The most prominent type is the company-related or company-sponsored foundation. Corporate foundations vary in the extent to which they maintain close links to the parent corporations in terms of governance and management. Examples include the IBM Foundation in the US, the Cartier Foundation in France, the BBV Foundation in Spain, the Agnelli Foundation in Italy, or the Wallenberg Foundation in Sweden.

between funds and assets established to serve a closed, and relatively narrow group of beneficiaries, and foundations serving a larger public.

- *Community foundations*, i.e., grant-making organisations that pool revenue and assets from a variety of sources (individual, corporate, public) for specified communal purposes. Examples include the Stadtstiftung Gütersloh or the Bürgerstiftung Hanover in Germany or the various community foundations in Britain under the umbrella of the Association of Community Trusts and Foundations.
- *Government-sponsored or Government-created foundation*, i.e., foundations that fit the definition but are either created by public charter or enjoy high degrees of public sector support for either endowment or operating expenditures. Examples include the Federal Environmental Foundation in Germany, the Fondation de France, the Government Petroleum Fund in Norway or the public foundations in Turkey.

Table 1 classifies foundations by founder and basic form, and illustrates in broad terms the diversity of foundations in Europe, ranging from grant-making foundations established by individuals to corporate foundations and government creations. Individuals create most foundations: in Britain virtually all foundations are set up by individuals; in Switzerland, individuals founded 95% of foundations under federal jurisdiction, of which 5% are primarily grant-making, with the great majority either operating or of a mixed type. In Germany, likewise, the great majority of foundations are founded by individuals, followed by public authorities and corporations. There is a general trend for governments to make less use of foundations, either under public or private law. For corporations, data in France, Belgium, Britain, Germany and Switzerland suggest the opposite trend. In France, for example, 44 corporate foundations were established after 1990—in a country of less than 500 independent private foundations.

Table 1: Major types of foundations in Europe

Founder or Type of Endowment	Primary Purpose		
	Grant-making	Operating	Mixed
Private individual(s)	Nuffield Foundation, Britain	<i>Inselspital</i> , Switzerland	<i>Koningin Wilhelmina</i> Fonds, Netherlands
Corporation(s)	Carlsberg Foundation, Denmark	Agnelli Foundation, Italy	BBV Foundation, Spain
Public sector	Federal Environmental Foundation, Germany	Social Help and Solidarity Foundation, Turkey	<i>Fondation de France</i>

Of course, many foundations are mixed types, i.e., engage in grant-making, initiate their own projects, and operate their own institutions, but in most cases one area of fund disbursement or use dominates.

How many Foundations are there? Unfortunately, we cannot give a precise answer to this seemingly simple question. This is due in large part to the lack of available statistics and other relevant information on foundations in most European countries—a problem that, as we have seen, is amplified by the diversity of definitions and types across Europe. Nonetheless, it is possible to come up with some initial estimates, however rough, about the number of foundations in each country covered here.

As table 2 shows, European countries show a great variation in the number of foundations, ranging from a high of 20,000–30,000 in Sweden and 14,000 in Denmark to a low of 30 in Ireland. Taken together, the data suggest that there are around 80–90,000 foundations among the countries listed in table 2, or about 4,000–4,500 per country. Were central and eastern European countries included, the number of foundations would increase to between 110,000 and 130,000, with 20,000 from Hungary alone. However, given the data situation in that region, and the tendency to define as foundations what are truly associations, it seems best to treat the relatively high number of central and eastern European foundations with great care. At least as defined here, it is probably safe to assume that the number of foundations in that part of Europe is still lower in relative and absolute terms than in most other countries of the continent.

According to the structural/operation definition introduced above, we had to exclude certain types of foundations in most countries included in table 2. In Austria, the over 1,000 ‘private foundations’ are excluded, and as similar cases in Liechtenstein, Norway, Sweden and Switzerland. The numbers of foundations excluded, and the assets associated with them are sizeable: in the case of Liechtenstein, the 35,000 family foundations own a significant portion of the CHF90 billions (€58 billion) deposited in the country’s banks. In Switzerland, the 11,300 personal pension funds, set up as foundations, had assets of over CHF216 billion (€139 billion).

The Netherlands is a special case. On the one hand, the country has 131,395 foundations, mostly operating foundations in the field of health, social services, education and culture. The distinction between foundation and association, while clear in civil law, is sometimes difficult to make in reality, and is shaped by historical path dependencies. For example, most Catholic primary schools are foundations, whereas most of their protestant counterparts are associations. In either case, both are fully integrated in the public education system and largely indistinguishable from each other as well as from state-run schools. The same would hold for the fields of health and social services. For these reasons, i.e. to avoid seemingly artificial divisions, the over 130,000 operating foundations have been excluded, leaving somewhat fewer than 1,000 *fonds*, most of which are foundations in legal terms, although some are, for historical reasons, associations.

Table 2: Foundations in Europe

Country	Number	Relative share of grant-making foundation	Relative share of operating foundations	Mixed type	Other types/ notes
Austria	803			Majority	Excludes 1,097 private foundations
Belgium	310	Few		Majority	Excludes 40 funds managed by Fondation Roi Baudoin
Britain	~ 8800	100	0*		*Only 12 foundations were defined as operating
Denmark	~14,000				Mostly small funds; only three foundations with assets >\$140 million
Finland	2,522	50%	30%	20%	
France	404		Majority		Excludes 487 foundations administered by Fondation de France
Germany	8,312	~50%	~25 %	~25 %	Excludes ~ 35,000 church foundations
Greece	~500	Few	Majority	Few	
Ireland	30	27%*	70%*	3%*	*Absolute numbers 8, 12 and 1, respectively
Italy	~1,300	15%	39%	43%	Excludes unknown number of church foundations
Lichtenstein	~600		Majority		Excludes ~40,000 private foundation
Luxembourg	143		Majority		
Netherlands	~1,000	Majority			Excludes ~131,000 nonprofit organisations labelled foundations
Norway	2,989			Majority	Excludes ~6,300 commercial foundations
Portugal	664		Majority		
Spain	~6,000	5%	95%		Excludes ~1,100 church foundations
Sweden	~20, 000-30,000				Excludes ~7,000-37,000 smaller foundations with assets <SEK350,000
Switzerland	~8,000	5%	Majority		Excludes ~11,300 pension funds
Turkey	9,326			Majority	Excludes 1,005 public foundations

~ = approximately

The Dutch example points to the complex borderline between grant-making and operating foundations in highly organised welfare states. Depending on where we draw the boundary for statistical purposes, the number of foundations in the Netherlands would range between 1,000 and 130,000. The Swedish case is different in the sense that it highlights the complexity of a highly differentiated foundation sector: estimates for 1976 show 51,000 Swedish foundations, of which some 10% were family foundations; 60% were administered by state authorities, 10% were extensions of corporations, and around 11,700 foundations were managed by an autonomous board. Only the latter would qualify according to our definition, although many gray areas remain. More recent estimates indicate that the number of Swedish foundations has increased: in 1998 over 13,000 foundations had assets exceeding SEK 350,000 (€42,000), suggesting that the total number may range between 20 and 30,000.

Other foundations excluded from the data presented in table 2 are church foundations. In the case of Germany alone, this meant that some 35,000 foundations belonging to either the Catholic or Protestant churches are not counted. This does not mean that church-related or faith-based foundations are excluded as such. The exclusion applies only to foundations established under ecclesiastical or canon law, due to their public sector status. Spain, too, has a sizeable number of foundations organised under canon law, reflecting the historical hegemony of the Catholic Church. Including church foundations would increase the number of foundations in Spain by 17% to just over 7,000.

Finally, public sector foundations are also excluded, most notably in the case of Turkey, where about 10% of the total number of foundations are state institutions. Similarly, the approximately 500 foundations operating in Greece includes some public sector foundations; their actual number, however, could not be specified. Virtually all countries have foundations, funds or quasi-foundations located just on the state side of the public and private borderline: this includes the Austrian Science Foundation, the National Lottery in Britain, the National Insurance Scheme Fund in Norway or the Foundation of Prussian Cultural Heritage in Germany. These institutions were generally excluded from the data presented here.

For some countries it has been possible to collect information on the relative share of foundation types. As table 2 shows, only British foundations are almost exclusively grant-making, followed by Finland and Germany with about 50%. The Dutch foundation sector, as defined, is also primarily grant-making, but the great majority of foundations in that country are operating institutions (see above). Overall, however, only in four of the countries included in table 2 would operating foundations represent a majority, as they would most probably in central and eastern Europe. In most other countries we find that the majority of foundations are of a mixed type. They are both operating institutions and grant-making, thereby combining service-delivery with philanthropic giving. This

would apply to many British charities as well: three out of four operating grant-makers had a grant-making function, and the eleven largest made grants in excess of £250 million in the mid 1990's.

Clearly, the economic weight of running institutions, programmes and projects tends to be more important than the actual grant-making activities. For example, estimates of the 1995 employment in German grant-making foundations ranged between 3,000 and 5,000 employees, whereas operating foundations employed over 90,000. The majority of German foundations, however, employ no staff at all: nine out of ten foundations are run and managed by volunteers only. In Scandinavia, we would find similar results: all but a few of Denmark's 14,000 foundations have paid employment at all, and only eight of the over 2,500 Finnish foundations have more than 10 full-time staff.

Of course, the raw number of foundations says little about their actual importance. For this purpose, it is useful to draw in additional information such as expenditures, employment, grants disbursed and assets. Unfortunately, complete information is available for none of the countries included; nonetheless, in most cases, we can at least take one additional 'sounding' of foundation sector size. Table 3 shows again the wide range and diversity of foundation sectors across Europe: looking at the number of foundations per 100,000 population, we find a range from 1 in France to over 1,900 in Liechtenstein. Foundation expenditures on gross national product vary from a low of 0.06% in Belgium to a high of 1.5% in Germany. Similarly, paid employment is lowest in Austria, with less than 1% of nonprofit sector employment, and a high of 14.3% in Sweden. Grants disbursed as a share of total nonprofit sector revenue range from 0.7% in Ireland to nearly 3% in Britain.

Asset estimates are the most difficult data to obtain on foundations, especially cross-nationally given the influence of different valuation measures and techniques. The asset figures in table 3 should therefore be interpreted with great caution and taken as rough markers only. Using country-specific data on assets per capita, we observe significant differences across Europe. German foundation assets are €354 per capita; the figure is higher for Britain, yet over €1,000 for Italy, Sweden and Switzerland. Finally, the highest per capita assets are reported for Liechtenstein with a stunning figure that exceeds €12,000.

The German figures, even though they are lowest among the countries reporting assets, reflect the remarkable comeback of the country's foundation sector in recent decades, reaching two-thirds of the British asset figure in relative terms. The high number of per capita assets for Italian foundations is a function of the privatisation of the banking sector in this country (Law 218/1990, or Amato law). Most public savings banks were quasi-public, 'nationalised' nonprofit organisations and changed to stock corporations as a result of the 1990 reforms. The shares in the privatised banks became the endowment for the new 'foundations of banking origin', which—not surprisingly—have significant assets ranging between €50–75 billion combined.

Table 3: Relative size indicators of foundation sectors in Europe, by country

Country	Number of foundations per 100,000	Expenditure as % of GDP	Employment of % of total nonprofit employment	Grants disbursed as % of total nonprofit revenue	Assets per capita in Euros (€)
Austria	10		0.20		
Belgium	3	0.07			
Britain	16			2.81	536
Denmark	272				
Finland	49				
France	1	0.15	3.00		
Germany	10	1.50	6.43	1.80	354
Greece	5				
Ireland	1			0.74	
Italy	2				1,340
Lichtenstein	1,911				12,258
Luxembourg	34				
Netherlands	5			2.11	
Norway	68				
Portugal	7				
Spain	15	0.60	0.61		
Sweden	200		14.30		1,500
Switzerland	111				1,389
Turkey	16				

Given the data situation, it is not possible to construct a strict and consistent ranking of countries in terms of foundation sector size. Yet taken together, the various size indicators suggest three groups or clusters, and even such an admittedly crude classification involves some qualitative judgements. As table 4 shows Europe's foundation sectors can be grouped into three classes: small, medium and large, whereby the middle group can be further divided into subcategories.

Table 4: Foundation sector ranking, by size

Relative Size of Foundation Sector	Country
Small	Austria, Belgium, France, Greece, Ireland, Luxembourg central and eastern European countries
Medium-small	Portugal, Spain, Turkey
Medium-large	Britain, Denmark, Finland, Germany, Netherlands, Norway
Large	Italy, Liechtenstein, Sweden, Switzerland

2.1 Areas of activities

What do foundations do? In what areas do they work or operate, and what are some of the commonalities and difference across countries? Table 5 presents a breakdown of foundation activities by major field, following the International Classification System of Nonprofit Organizations (ICNPO), developed by Salamon and Anheier (1997). The unit of analysis differs somewhat across countries; while expenditures would in fact represent a more valid measure of foundation activity, in most cases only the number of organisations working in any of the ten fields primarily is available.

Table 5 reveals three major results. First, two fields clearly dominate the profile of foundation activity: education and research (with an average of 30%) and social service (25%). Together, both fields account for over half of foundation activities so measured. In fact, education and research, and social services are the main categories in eight of the fifteen countries reporting. Adding health care, with an average of 11% of foundation activity, pushes the total share up to 71%. In other words, two-thirds of foundations operate in just three fields, the same fields that also dominate the nonprofit sector at large (Salamon et al, 1999).

Second, the field of art and culture—along with health care—accounts for the third largest share of foundation activities. It is the most important field in Spain, with 44% of all foundations, and is relatively prominent in Finland, Germany, Italy, Portugal and Switzerland. Third, some countries show clear concentration in one field particularly: this is the case for health care foundations in France, housing foundations in Ireland, international activities in the Netherlands and cultural foundations in Spain. Such concentrations are the result of specific historical developments, such as urgent demand for affordable housing in early 20th century Ireland, or institutional effects, such as the prominence of a large health care research foundation in France (*Institut Pasteur, Institut Marie Curie*).

Table 5: Foundations in Europe: Activities by field

<i>Country</i>	<i>Arts and culture</i>	<i>Education and research</i>	<i>Health</i>	<i>Social services</i>	<i>Environment</i>	<i>Housing/ development</i>	<i>Advocacy</i>	<i>International</i>	<i>Religion</i>	<i>Other</i>	<i>Unit</i>
Austria	11	36	8	34	1	1	1	0	4	4	Foundations
Belgium	16	46	17	16	...	...	...	...	5	1	Foundations
Britain	10	41	12	15	5	2	1	...	9	4	Grants value
Finland	23	47	12		2	...	4	...	1	11	Foundations
France	1	14	56	23		2				5	Employees
Germany	21	57	12	55	6	3	2	4	6	8	All purposes; multiple answers
Greece	4	41	5	39	1	2	...	...	6	2	Foundations
Ireland	13	18	30	1	1	37	1	...	...		Expenditures
Italy	20	36	8	23		5		1	4	2	Foundations
Netherlands	11	10	25	25	4	1	6	14	3	1	Funds
Norway	5	21	1	43	3	1	1			26	Foundations
Portugal	29	14	6	43	1	1	2	1	3		Foundations
Spain	44	20	26							10	Employees
Switzerland	20	30	10	30	5	5					Foundations
Turkey	6	21	5	26	2	6	2		12		Foundations
Total	16	30	16	25	2	4	1	1	4	5	

2.3 From history to political context

Yet, one might ask, why is it important to know about foundations in the first place? What do their numbers and activities indicate? What do we learn, by looking at foundations, about modern Europe that we did not know before? These questions point to the theoretical and policy implications of the empirical information presented below. While we will return to wider conceptual issues further below, it may be useful to recall some of the major historical developments involved, even at the risk of gross oversimplification.

Pre 20th century origins

As Smith and Borgmann (2001) suggest, the role and *raison d'être* of foundations in Europe underwent several dramatic changes between the 16th and the 20th century. The Reformation era did away with the mediaeval ideal of community and triggered the complex process of state building, in which foundations were no longer part of a *res publica christiania*.² Instead, foundations had to compete for space in an increasingly secular public sphere. Only some foundations succeeded in this task, and many, if not most, became victims of secularisation and state expansion. At the same time, new foundations emerged, fuelled by the interests of the crown, landed elite and the emerging middle class, particularly urban merchants and craftsmen.

As the nation state developed, the role of foundations changed from that of a traditional, religion-based charitable institution to a somewhat more pluralist provider of quasi-public goods, used by and for special groups and interests. The numerous guild-based and trade-related foundations in the growing cities of the 17th and 18th century are perhaps the best example to illustrate how foundations became a private tool for serving public needs. This re-positioning, however, implied that throughout the 19th and early 20th century, the role of foundation continued to be challenged to the extent that the consolidated nation state assumed responsibility for and over other parts and groups of society.

In much of the 19th century, the development of foundations depended on the political solution, if any, that could be found between the aspirations of an expanding, and frequently struggling, nation state on the one hand, and the interests of a more pluralist civil society on the other. The latter included, in particular, the new economic elite, the urban middle class and the professions as the major force in the establishment of foundations. From a supply-side perspective, the development of foundations also depended on the extent to which the proceeds of market transactions could be transformed into philanthropic assets. In other words, even where public 'space' for foundations existed, countries and regions differed in terms of philanthropic entrepreneurship, whereby public-minded merchants, industrialists or professionals set up foundations.

² Turkish foundation history is substantially different and shows more continuity from the middle ages to the early modern period.

While the potential supply of founders is difficult to estimate, the 19th century growth of foundations in Britain, Scandinavia and the Netherlands, and even in countries with autocratic regimes like Germany, the Austro-Hungarian Empire, and Italy suggest that the supply-side considerations were much less of a constraint than restrictive state policies. Much of the growth in the number of foundations under aristocratic regimes was supported by the urban middle class at the local level. Most foundations remained local in character, often with well-defined circles of beneficiaries. For example, the foundation directory for the city of Vienna from the late 19th century lists 2,148 foundations, the great majority of which serve highly special and localised needs ranging from welfare provisions to education support (Markhof and Mautner, 1895).

In other countries, however, like France, the state succeeded in establishing itself as the primary representative of the public will *and* in keeping foundations at bay under the umbrella of anti-clerical, anti-liberal policies (Archambault, 1996). Yet not all nation states were as successful as France in establishing a hegemonic regime across and against diverse political and cultural interests. More frequently, the emerging nation state remained weak, failed in its attempt to consolidate power, and had to forge political compromises with existing power bases and their institutions. As a result, traditional foundations remained strong (Italy, Spain) and many new ones emerged (Switzerland, Germany).

In other cases, early forms of private-public partnerships began to emerge between state and foundations, with Sweden and the Netherlands as prime examples, leading to a general expansion and consolidation. Only in Britain, however, did the formation of a relatively independent set of foundations develop without too much state interference. The 19th century philanthropists and industrialists provided welfare services, supported the arts and even championed causes overseas (for example, the anti-slavery society) (Leat, 1992).

Two key insights emerge from this *tour de force* through European foundation history. First, at least since the reformation period, foundations have operated at or close to the major ‘fault lines’ of society: *secularisation* in the 17th century, republicanism and political *liberalisation* in the 18th century, *industrialisation* and the social upheavals of the 19th and early 20th century. Depending on the sustainability and extent of the political compromises that were found or that emerged, foundations occupied more or less public space, either flourished or declined in numbers and importance, and either helped shape the social order or moved to more marginal positions. The country rankings in table 4 reflect in part the long-term positioning of foundations in this context.

Second, throughout this historical development certain patterns or path dependencies emerged that accounted for more or less distinct national or regional traditions. Britain and France offer perhaps the best examples for the extreme range of persistent policy patterns across Europe. In the British case, the Statute of Charitable Uses of 1601 has functioned for 400 years to delineate the purpose and

limitations of charity even though its actual definition and legal application continues to be shaped by prevailing practices and common law evolution. The Protestant gentry and merchants of the 17th century found the charitable form appealing for its philanthropic aspirations (Jordan, 1959), as did the industrialists of the 19th century who *inter alia* wanted to support educational institutions and improve the living standards of the poor more generally (Owen, 1965). In France we find a very different pattern emerged that essentially sought to prevent the development of foundations as a modern tool of civil society. The *Loi de Chapelier* of 1791 established state monopoly over the public interest, which meant that foundations lost their legal status altogether; it was only at the end of the 19th century that foundation regained some ground, albeit under strict state supervision (Archambault et al, 1999).

In most European countries, foundations were caught in a complicated political conundrum, from which few foundation sectors managed to escape unharmed. It would have taken a consolidated state, a self-confident middle class and an enlightened elite, in addition to the increasing economic prosperity of the 19th century, to bring about a full renaissance of foundations. Amongst the obstacles to such a development were concerns over the *main morte* (eg in France, Belgium and Luxembourg), which was seen as capital withdrawn from the economy that could otherwise been used more productively. There were also social democratic rejections that saw foundations as undemocratic (Finland, Sweden) and/or as often paternalistic instruments of the Victorian age (Ireland, Britain).

The 20th century

Whatever patterns and path dependencies had developed until the early 20th century, nothing could have prepared European foundations for the upheavals that two World Wars, economic crises and the Holocaust, would bring to most countries as well as the establishment of communists regimes in the central and eastern parts of the continent.

Unknown numbers of foundations across the continent did not manage to survive confiscation, destruction, capital depletion and loss of property, and many faced legal and frequently illegal dissolution. In other words, the variations of foundation sector size (table 3) and composition (table 5) reflect not only long-term developments but, significantly, the impact of the two major wars in the last century. It is no historical accident that of the four countries classified with a large foundation sector, three escaped the destructive force of World War II, namely Sweden, Switzerland and Liechtenstein.

The impact of war was perhaps nowhere greater than in the central and eastern parts of the continent. The philanthropic elite and much of the middle class that had been central to building and maintaining foundations in the late 19th and early 20th century were displaced and often killed. The Stalinist and state socialist regimes that followed saw no need for foundations, and with few

exceptions, confiscated the remaining foundation property that war and Nazism had not yet destroyed. It is therefore not surprising that much of the impetus to create and re-establish foundation communities in this part of Europe relies on external support, capital and know-how, at least initially, and perhaps for some time to come.

Western Europe shows a different and more varied post-war development. The foundation community in some countries such as Austria and perhaps Greece stagnated and never fully recovered from the events of the first part of the 20th century. In others like Italy, Spain and Germany, it took several decades before new, significant growth in number and importance could take place. In Scandinavia, foundations resumed close links with government but nonetheless assumed a distant second position to state efforts as the welfare state developed more fully after 1950. In either case, the aftermath of the two world wars meant greater state reliance and vastly expanded state responsibilities, first during the reconstruction period of the 1950s, and then under the umbrella of welfare *state* policies in the decades that followed. Throughout this period, foundations and their roles and contributions were hardly mentioned, if at all, and remained largely off the public agenda. Tellingly, some of the most influential works on the European welfare state such as Esping-Anderson (1990), Flora/Heidenheimer (1981) and Quadagno (1990) do not mention the role of foundations.

Yet by the late 1980s public, academic and political interests in foundation was rekindled and seems to have regained momentum since then. Indeed, foundations in most European countries appear to be experiencing some kind of a renaissance, which follows the first of the high middle ages, and the second of the industrialisation period of the late 19th century. In several European countries, new foundations laws have been put in place, and are being considered. The basic thrust of the recent and current legal initiatives is to make the establishment and operation of foundations easier than under past regulations, and to provide greater incentives to potential founders for the creation of foundation. Examples are the Swedish Act on Foundation in 1996, the Austrian on Private Foundations of 1993, the reform of the bank foundations in Italy (law 218/1900), the Spanish Foundation Act of 1994, and the current reform of foundation law in Germany (Bertelsmann Stiftung and Maecenata Institut, 1999).

The reasons for the revival of foundations are varied. Important factors are the prolonged periods of political stability in most western European countries, the democratisation of previously autocratic regimes (Spain, Portugal and Greece), and, importantly, levels of economic prosperity and social well being unmatched in Europe's modern history. Wealth lost between 1914 and 1945 was not only replaced but surpassed, and this to such an extent that individual and corporate assets have never been higher. By the 1980s, political stability and economic prosperity in northern, western and southern Europe coincided with the rise of neo-liberalism as the post-modern ideology against state dominance, and the lingering crisis of the welfare state in meeting growing demands and obligations.

In addition, the fall of communism and the profound economic changes in central and eastern European countries have brought foundations back to political and cultural agenda. There are three further reasons why foundations have become more attractive in recent years:

- *Politically*, they appear more acceptable to governments that seem to have become less certain about their own roles and ambitions, and seem more willing to have institutions like foundations play their part. In contrast to previous historical periods, the state seems less challenged by foundations: to the contrary, national governments and international organisations alike welcome foundation involvement in a broad range of activities and fields.
- *Economically*, foundations seem an appropriate vehicle to solve a number of corporate challenges. For the German or Swiss *Mittelstand* (middle class entrepreneurs), foundations are one way to solve the succession problem for owner-managers of medium-scale enterprises, and to help provide stability in terms of ownership and control. For large international corporations, foundations are a tool to express corporate citizenship and concerns for the public good. And for government and corporations alike, foundations may be both a more economic and politically a more neutral way to handle specific problems and issues, e.g., assets held by holocaust victims in Swiss banks.
- *Culturally*, because a largely expanded middle class in all European countries seems to have regained the self-confidence and trust it lost during the first half of the 20th century. There appears to be a greater acceptance of private actors in the provision of public goods and quasi-public goods. At the same time, the state is no longer expected to be the sole provider of social security, culture, education and many other areas where previously there was a tendency in many countries to privilege the public sector.

Of course, these factors vary in weight across Europe. They seem more pronounced in Britain, Germany, Scandinavia and less in France, Belgium or Greece. How, then, are these changes reflected in the recent development of foundations across Europe?

2.4 Growth patterns

It is in the larger historical context described above that the expansion of foundations sectors in Europe assumes its true relevance. As table 6 shows, there is a general trend among the countries for which data over time data are available, that more foundations were created in the last two decades than in the three decades before, and that more foundations were established after 1950 than prior to that date. In other words, in terms of number of foundations, the foundation world in Europe is

essentially a product of the post-war period generally, and of the last three decades in particular. Two out of three foundations were established after 1970.³

Table 6: Development of foundations, by country, in %

<i>Country</i>	before 1900	1900-1910	1910-1920	1920-1930	1930-1940	1940-1950	1950-1960	1960-1970	1970-1980	1980-1990	post 1990
Austria	23				11	7	6	10	10	15	19
Belgium	9			25				40			
Britain	5	1	1	2	2	3	9	26	26	21	4
Finland	9					10	20	14	12	20	15
France	28	22			13			24		13	
Germany	20	2	3	3	3	2	5	8	11	23	20
Greece	15							24	33	28	
Italy	20								8	26	46
Portugal	2	1	0	3	0	17		22		56	
Spain	3								3	36	58
Switzerland	2			17	6			14	22	26	12
Turkey	2				49					50	

However, table 6 reveals that countries vary in their growth rates. Three growth patterns seem to emerge:

- *High growth countries like Italy, Spain, Turkey or Portugal.* With the exception of Turkey, these are countries in which foundation law underwent a major reform (Italy: law 218/1990; Spain: Foundation Act of 1994; Portugal: Law 460/1977), with the proven effect that foundations increased sharply in number. In Portugal, where 56% of all foundations were established after 1980, and in Spain (over 90% for cultural foundations and 70% for educational foundations), the rapid growth could also be a delayed effect of the democratisation in the 1970s, when both countries shed their autocratic regimes. The high growth is also a reflection of the rapid economic development of these countries of Europe's south, in particular Portugal, Spain and Turkey.
- *Medium growth countries like Britain, Finland, Germany, Switzerland or Greece.* With the exception of Belgium and Greece, these are countries with already sizeable foundations sectors, and recent

³ Growth trends based on new foundations alone have to be treated with great caution as they do not include any information on the 'fate' of existing foundations in terms of persistence, expansion, merger or dissolution.

growth rates of 20–30 per decade add to a relative high base. Britain, Finland, Germany and Switzerland are high-income countries with stable political systems. We can assume that the foundation boom of recent years is in large measure a function of political stability and economic prosperity, amplified by a more self-confident middle class. Greece has a small foundation sector, and the expansion is probably the result of increased economic prosperity and greater political stability. But in contrast to the high growth countries, the absence of legal reform and the impact of continued fiscal crises prevented an even greater expansion of Greek foundations.

- *Low growth countries like Austria, Belgium and France.* All three countries have small foundation sectors. Although they did expand, they did so at much lower rate. In contrast to high and medium growth countries, French foundations are older on average, with half predating the post-war period, and with fewer foundations being established during the current expansion period since the 1980s. Similarly, growth rates have changed little in Austria and Belgium over the last four decades, even though a slight upward trend is discernible. The reasons for the slow growth are legal and procedural, as the establishment of foundations in France or Belgium are highly regulated and complicated, providing relatively few incentives for potential founders. There are also political and cultural reasons, if we recall the historical distrust of the French State concerning foundations. While some of this suspicion may have lessened, its impact is still felt in terms of lower growth rates. Indicative of this is the increase in the number of foundations under the auspices of the public sector-initiated Fondation de France from 326 in 1990 to 487 in 1998, which is somewhat higher than the overall growth of the French foundation sector during the same period (393 to 468).

Table 7 combines the growth patterns with the scale of foundations sectors in each country. Among the relatively smaller foundation sectors only Greece is on a modest expansion course. However, with both legal reforms and the consolidation of public finance much needed, it is doubtful if and how recent growth levels could be maintained. The other countries with smaller foundation sectors nonetheless have a well-developed nonprofit sector; indeed, Ireland has some of the largest nonprofit sectors in Europe. It is likely that in France, Belgium and Ireland, other nonprofit forms may act as the preferred organisational form for foundation-type activities. Given that the establishment of foundations in these countries is typically complex, time consuming and therefore relatively expensive, potential founders might opt for other organisational forms even if a foundation would ultimately offer the more appropriate vehicle.

Table 7: Foundation sector scale and growth pattern

		Scale		
		Small	Medium	Large
Growth	<i>Low</i>	Austria, Belgium, France Ireland		
	<i>Medium</i>	Greece <i>Most other central and eastern European countries</i>	Britain, Finland, Germany	Switzerland
	<i>High</i>	Hungary	Portugal, Spain, Turkey	Italy

None of the medium and large-scale foundation sectors fell behind in relative terms by revealing low growth rates over the last three decades. Notably, Italy's foundations have expanded in numbers and in asset size, fuelled primarily by the Amato reform of its banking industry. For similar reasons, but also with the added momentum of democratic reform and economic development, Portugal and Spain saw their foundation sectors expand at relatively high rates.

2.5 Functions and models

Whatever the outcome of current policy developments, they invite us to reconsider some of the basic aspects about foundations. Why do they exist? What functions do they serve? And what are their functional alternatives?

Several answers have been suggested in the literature (See Anheier and Toepler, 1999, for an overview). Foundations like all nonprofit institutions exist for several basic reasons. At the most general level, they provide a vehicle for philanthropic values and deeds, i.e., a circuit for long-term and large-scale donations. More specifically, foundations exist because markets and government may fail, as Hansmann (1996) and Weisbrod (1988) have noted. Under conditions of demand heterogeneity, markets fail to supply some public and quasi-public goods in efficient and equitable ways because of moral hazard problems inherent in such transactions (Anheier and BenNer, 1997). Such goods cannot be supplied by the state because of government failure; and correcting for such failures would otherwise run into conflict with the inherent constitutional doctrine of limited state intervention in liberal democracies. In other words, diverse societies have needs that neither market nor state can provide at reasonable costs and risks.

Yet as such reasoning may apply to most types of nonprofit organisations, the questions arises as to what the special role or function of foundations might be? Prewitt (1999) has suggested a number of special functions served by foundations. Although the extent to which foundations actually fulfil

these functions remains a matter of disagreement (Leat, 1999; Frumkin, 1997; Clotfelter, 1992; Letts et al, 1997; Toepler, 1996), they serve nonetheless as useful markers to gauge the role foundations in modern society. According to Prewitt, foundations can fulfil four basic functions:

- *Redistribution*, i.e., foundations channel funds from the better-off to the less affluent parts of the population, thereby either directly or indirectly adding to the redistributive efficiency of the taxation system in place.
- *Efficiency*, i.e., foundations offer services and allocate philanthropic funds more efficiently than markets and government agencies could. Cost-to-benefit ratios for foundations are higher.
- *Social change*, i.e., foundations, unbound by market considerations and the constraints of the political process, can trigger and support desired change processes; and
- *Pluralism*, i.e., foundations promote diversity and differentiation in thought, approach and practice of advocacy, service provision and 'search procedures', looking for causes and solutions to a variety of problems and issues.

What, then, can we say about the extent to which foundations in Europe perform the functions suggested by Prewitt? To be sure, Prewitt suggests that only the pluralism argument could withstand closer empirical scrutiny for serving as the 'legitimizing theory' of foundations. Whereas foundations may create and preserve pluralism, and thereby increase the problem-solving capacity of societies, they may not, and if so only to some limited degree, be redistributive, efficient and change-oriented. To explore Prewitt's functions, we have grouped the various countries into relatively distinct models.

Table 8: Classification of foundations in Europe

Model	Countries	Overall importance	Operating foundations	Grant-making foundations	Borderline
Social democratic model	Sweden, Norway, Denmark, Finland	High	Larger operating foundations integrated in public welfare service delivery	Many smaller foundations set up by individuals; large company foundations; social movement	Complex borderline between business and foundations
State-centred model	France, Belgium, Luxembourg	Low	Close supervision of foundations by state; emphasis on public utility	Few grant-making foundations, primarily operating, quasi-public umbrella foundations	Complex borderline between state and foundations
Corporatist model	Germany Netherlands Austria Switzerland Lichtenstein	Medium	Operating foundations part of welfare system, close state links, subsidiarity	Grant-making foundations somewhat less prominent, many mixed foundations	Complex borderlines between state and foundations, and foundations and business
Liberal model	UK	High	Fewer operating foundation	Prominence of grant-making foundations; long history of independence	Relatively clear boundaries, indirect state involvement
Peripheral model	Ireland Greece	Low	Foundations are service-providers to compensate for public sector short-fall	Few grant-making foundations	Complex historical links to dominant religion, patriarchy, immigration patterns
Mediterranean model	Spain, Italy, Portugal, Turkey	Medium	Long history of operating foundation linked to dominant religion, parallel to public welfare provision	Delayed development of grant-making foundations; rapid recent development after autocratic experience	Complex relationship with state/religion
Post-statist model	Central and eastern Europe	Medium	Delayed development; operating foundations dominate, parallel to public welfare provision	Very few domestic grant-making foundations; rapid recent development	Complex borderlines between state and foundations, and foundations and business

As table 8 indicates, Europe's foundation sectors represent several relative distinct models. (The model presented here is informed by the work of Esping-Anderson, 1990; Salamon and Anheier, 1997). These models differ in the relative importance and role of grant-making and operating foundations, as well as in their respective relations or borderlines with the state and the business sector:

- In the *social democratic model*, foundations exist in a highly developed welfare state. As part of a well co-ordinated relationship with the state, operating foundations either complement or supplement state activities, although in absolute and relative terms their service-delivery contributions remain limited. In addition, large corporate foundations like Wallenberg in Sweden provide a counterweight to hegemonic tendencies of the state. As a result, borderlines between foundations and large businesses are complex and fluid.
- In the *state-centered model*, foundations are ultimately subservient to the state. Restrictive laws, complicated administrative procedures, and extensive oversight establish a relatively tight control regime for foundations. As a result, foundations are few in numbers and remain much less important than in other parts of Europe. Their grant-making activities are relatively minor, and as operating institutions they are dwarfed by the scale of state provision.
- In the *corporatist model*, foundations are by and large in some form of subsidiarity relation with the state. Operating foundations are part of the social welfare or educational system, and many combine grant-making and operative dimensions. Foundations are important as service-providers, and less so in terms of their overall financial contributions.
- The *liberal model*, represented by Great Britain, has a highly pronounced grant-making function, whereas operating foundations are less active as a whole. Boundaries with the state and the business community are relatively well established and unambiguous. Next to the social democratic model, the liberal foundation sector ranks high in terms of overall importance.
- The *peripheral model* refers to foundation sectors that for a variety of historical reasons such as colonialism and external domination have either not fully developed at all, or have, until recently, experienced long periods of stalemate or stagnation. This situation was helped, in part, by the peripheral location of these countries, and their delayed social and economic development. Foundations are primarily operating and compensate for shortfalls in public sector supply in social services (Greece) and housing (Ireland).
- The *Mediterranean model* refers to the southern countries of Europe that have experienced a significant expansion in their foundation sector in recent years. They share a long history of hegemonic religions, and delayed economic development when compared to the social democratic, corporatist and liberal model above. The massive expansion of the Italian foundation sector through

the establishment of the bank foundations adds a new element to the future development of foundations in this region.

- Finally, foundations in the *post-socialist model* are primarily operating in nature, supported from outside funds, and part of a political, though highly complex and ambiguous agenda, of public sector reform in a region that prepares for the second major social and economic transition in as many decades.

Of course, the models, represented in a more simplified version in table 9, are relatively distinct from each other and some overlap exists among them. They are not meant to serve as strict archetypes but merely as descriptive markers to point to similarities and differences across European countries in terms of the four roles or functions suggested by Prewitt.

Table 9: Foundation models in Europe

Relative size of foundation sector	Importance of operating foundations	Importance of grant-making foundations	Model
High	Yes	Yes	Social democratic Liberal
	No	Yes	
Medium	Yes	Yes	Corporatist Mediterranean
	Yes	No	
Low	No	No	State-centred Post-socialist
	Yes	Yes (international)	
	Yes	No	Peripheral

The redistribution function would apply primarily to grant-making foundations. It may also apply to operating foundations with large donations or other payments from the higher income groups for services provided to lower income groups disproportionately and at a lower price. As we have seen, only a minority of the foundation sector in Europe has a sizeable grant-making component, with the exception of Britain and perhaps Germany as well as Italy. Moreover, the revenue structure of operating foundations tends to rely more on either public sector funding or direct fee-for-service income than on donations from high income groups. While foundations may add at the margin to the redistributive efficiency of countries, they do so, if at all, on a relatively small scale that may be insignificant in the context of the wider taxation system in place (Margo, 1992).

At the same time, arguments could be made for the negative impact of family foundations and some types of corporate foundations in the social democratic and liberal regime. ‘Dynastic capital’ in the form of family foundations may be worthwhile for many purposes, even charitable ones, but such institutions are rarely redistributive in operation. Moreover, while many operating foundations serve the poor and address the concern of excluded populations, they may not do so disproportionately more than the state and even some market providers. Ultimately, the redistributive role of foundations remains an empirical question, and available evidence does not allow more than a preliminary judgement.

The efficiency function suggests that foundations offer services and allocate philanthropic funds more efficiently than could markets and government agencies under conditions of information asymmetry. This would apply primarily to situations where foundations supplement, complement or fill in for state provision in social services, health, education or housing, as they do in the corporatist, peripheral and Mediterranean model. Again, generally, it would seem to be an empirical question to explore if foundations have higher cost-to-benefit ratios than public or private sector providers, particularly so in highly regulated and somewhat standardised fields such as health, social service and education. It is a different question, however, if foundations offer services that would not be provided otherwise, i.e., where comparative efficiency questions are secondary to availability of some service delivery mechanism in the first place. It would seem that foundations play a larger role in that regard in peripheral countries like Greece, and certainly in central and eastern Europe, where a general undersupply of services prevails.

It is in the post-socialist and the Mediterranean model that the social changes initiated and facilitated by foundations come out most clearly. Indeed during the transition period, foundations triggered and supported desired change processes, and contributed to the modernisation and democratisation of society. Of course the actual contribution of foundations is difficult to measure with any degree of certainty, but they have undoubtedly contributed to the consolidation of democratic reform in Spain and Portugal, and the development of a wider civil society in transition countries.

In corporatist, social democratic and liberal models, the social change argument is less pronounced in its net impact as there are probably many counter-veiling factors and checks and balances that come into play. Simply put: to the extent that some foundations support change, others may not, and either actively or passively seek to counteract developments in one way or another. This points to the role foundations play in public debate, particularly in the liberal, social democratic and corporatist countries: they can pick up themes and invite debate about social, economic, cultural and political issues of all kinds. By doing so, foundations help identify problems and give ‘voice’ to a greater variety of positions than would otherwise be the case.

This ultimately brings in the pluralism function, which Prewitt believes to be the true *raison d'être* for foundations. While some of the other functions appear to be model-specific in the sense that they apply more, if at all, to some types rather than to others, foundations promote and preserve diversity, and add to the institutional variety of societies regardless whether they are liberal, social-democratic, Mediterranean or post-socialist. They counter-balance the hegemonic tendencies of the welfare state in Sweden and Norway, and preserve the cultural identity of minorities in Finland. They add a relatively independent force to the subsidiarity structures in corporatist regimes in terms of service delivery and funding streams. Foundations give voice to a more diverse public sphere in Mediterranean countries, and they help push the political agenda in Britain, particularly in the field of social and educational policy.

Of course, not all foundations perform the pluralism function to an equal extent. The important point is the *aggregate* effect foundations create toward greater diversity rather than the impact of each individual foundation alone. This aggregate effect can lead to a greater capacity for problem solving in the society as a whole—added capacity next to those of governments and markets. In this sense, foundations initiate additional, different ‘search procedures’ in addressing the social, political, economic and cultural problems of our time.

3 Conclusion

Until now, comparative knowledge of foundations in terms of size, function and activity has been largely non-existent for virtually all European countries. Little was known about the larger political economy in which European foundations operate, their relationship with the state, future patterns or current trends. Even though this paper provides little more than initial answers to some of the basic questions about foundations in Europe, we found that:

- Defining foundations as asset-based, private, self-governing, nonprofit-distributing and public-serving organisations draws in a relatively coherent set of institutions, but also points to many important borderline cases.
- The size of foundation sectors varies significantly across Europe, whereby three clusters emerged: those countries (e.g., France) where foundations are few in number and play virtually no pronounced role; those countries (e.g., Germany) with a sizeable foundation sector; and those (e.g., Italy) where the foundation world is relatively large and important both economically and politically.
- Most foundations in Europe are operating, though many combine service-delivery with some form of grant-making activities. Countries differ in the relative weight of grant-making and operating foundations, although only Britain, Germany and Italy (and depending on the definition used, the Netherlands) have a relatively high proportion of grant-making foundations.

- Two fields clearly dominate the profile of foundation activity: education and research, and social services.
- European foundations are clearly a product of the post-war period. A veritable foundation boom seems to have set in beginning with the late 1980s, although this growth is not evenly spread across Europe.
- Europe's foundations seem to cluster into particular types and models, with the social democratic, corporatist, Mediterranean and post-socialist models as the most frequent ones; other models include the state-centred and peripheral one. The liberal model, which comes in many ways closest to the US-influenced image of the modern world of philanthropic foundations, could be found only in Britain among the European countries covered, although important differences exist between the two (Bulmer, 1999).
- Against the background of significant growth in foundations in most European countries, it is important to keep in mind that the development and longevity of foundations need some minimum level of political stability as well as economic prosperity to emerge and survive in larger numbers. While foundations may contribute to more wealth and greater stability, they are more the product rather than the producer of these conditions.

It is because of this political stability and economic prosperity that foundations in Europe appear to be experiencing some kind of a renaissance. This foundation boom follows—with a hiatus of nearly 100 years—the previous foundation boom during the industrialisation period of the late 19th century. Many things have changed since then, of course, and the conditions that lead to the growth in the number and importance of foundations a century ago are different today. Yet as in previous eras, but in a radically different context and with different actors, persistent policy options and dilemmas have come back on the political agenda. And it is in the context of these policy options and dilemmas that our knowledge about foundations matters. It is here that their numbers and activities reflect the impact of choices societies make or allow. In other words, by examining the role of foundations we are looking through a specific prism to see how modern Europe addresses fundamental questions about the constitution of economy and society. Among these are:

- Who can decide about the use of wealth? From 18th century *camaraliste* fears about the negative impact of the *main morte* to concerns about taxation and equity issues today, foundations figure prominently in similar debates today. Should the fate of fortunes—large and small—be left primarily to individuals, or does government, as the representative of society, have some moral or political priority over the use of wealth?
- Who is responsible for delivering public and quasi-public goods? If governments no longer see themselves as the party solely, let alone primarily, responsible for social security, welfare, education, culture or many other fields, who, and under what conditions, has legitimacy to act in

the public interest? Again, the future role of foundations will be decided by the answers European countries and the European Union finds to this question.

- To what extent can governments allow private interests to influence the political agenda? Both autocratic and democratic regimes and government in all foundation models presented above face the same dilemma: independent actors like foundations can create alternative power centres. In autocratic regimes, this fear is obvious, but it is subtler in democracies. Ultimately, foundations, unlike democratic governments, are not answerable to the electorate, which creates profound accountability problems. And unlike interest and lobby groups, foundations are typically not answerable to specific members and stakeholders who might control or own them.

Of course, to some extent, the answers to these dilemmas and questions depend on the relevant policies and laws in place in the various European countries, but they are also shaped by the prevailing political climate. Across Europe, this climate currently favours a reduced role for government and greater responsibility lodged with individuals—a process amplified by the European Union across a wide range of fields (European Commission, 1997). It is in this wider political context in which the future of foundations in Europe will be decided, and which will lead to a continued repositioning and redefinition of their role in the 21st century.

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