

CONFERENCE REPORT

**Giving More for  
Research in Europe:**

**Strengthening the role  
of philanthropy  
in the financing of research**

**Brussels, 27 & 28 March 2006**

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Conference report

# **Giving More for Research in Europe:**

Strengthening the role of philanthropy  
in the financing of research

**Brussels, 27 & 28 March 2006**

A report by the European Foundation Centre (EFC)

June 2006

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# Foreword

## Foreword

For Europe to sustain the long-term welfare and prosperity of its citizens, it must become a world leader in research and innovation – the drivers of the emerging global knowledge economy and society. In this regard, current EU under-investment in research (1.9% of GDP compared to 2.6% in the US and 3.2% in Japan) is a cause for concern, and all possible measures need to be taken to make up the deficit.

Much effort is being deployed throughout the EU to raise the levels of both public and private investment in R&D. The full diversity of funding sources is included in the European Commission's approach to this, which is why philanthropy or charitable 'giving' for research is being given prominent attention. The rationale is that the potential of philanthropy as a source of research funding in Europe is important, but largely untapped when compared to other parts of the world, particularly the USA.

This report covers the proceedings of the first ever conference of its kind on the subject of "Giving More for Research in Europe", organised by the European Commission in co-operation with the European Foundation Centre on 27-28 March 2006. A key input to the conference was a report from a European Commission-sponsored expert group which proposed a number of measures at national and European levels to promote the role of philanthropy in supporting research, including enhancing cooperation among stakeholders and developing appropriate legal tools to improve foundations' cross-border activities, among other issues.

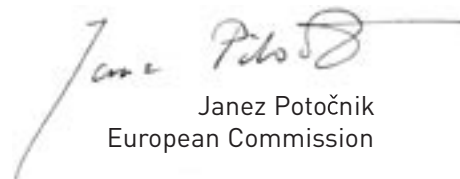
The conference brought together over 200 participants from foundations, research bodies, universities, public authorities and industry. They discussed strategies and initiatives for how philanthropic bodies (foundations, trusts, charities, etc.) could fund more knowledge generation, in particular research. Cross-cutting issues relating to governance, legal and tax treatments of foundations were also at the core of the discussions as means to increase the impact and effectiveness of research funding. Participants outlined the potential value of a European Foundation Statute for facilitating the cross-border activities of foundations.

Stemming from the recommendations of the expert group, the need for a "European Forum on Philanthropy and Research Funding" was strongly endorsed by the stakeholders as a platform to develop a European philanthropy research agenda. Such a Forum would promote mutual learning, review of best practices and improve synergies and collaboration. Under the leadership of the European Foundation Centre, key stakeholders will define, by 2007, a roadmap to set up the Forum and its workplan. The European Commission will continue to support and facilitate the work of the stakeholders in launching this initiative.

Philanthropy can and should play a more purposeful role in boosting Europe's research capabilities. Doing so will also add to the pluralism of R&D and strengthen its interface with society, while helping to underpin our long-term prosperity and well-being.



Wilhelm Krull  
European Foundation Centre



Janez Potočnik  
European Commission

# Contents

## Contents

<b>Introduction</b>	<b>p.7</b>
<b>Opening Plenary</b>	<b>p.9</b>
<b>Session reports</b>	<b>p.13</b>
<b>Governance and friendly regulatory frameworks</b>	p.13
- National governmental initiatives to foster the role of foundations in funding research	p.13
- Legal and tax issues affecting foundations and private donors	p.15
• Legal and tax treatment of foundations funding research: obstacles and solutions	p.16
• Legal and tax treatment of issues focusing on individual and corporate donations	p.18
- Governance issues and foundations funding research	p.19
- Building trust with donors	p.21
<b>Philanthropic mechanisms to fund research</b>	p.24
- Foundation practices to support research	p.24
- Foundations and university research	p.26
- Giving for research by banks and other financial institutions	p.31
- Scaling up resources through cooperative schemes and structures	p.33
<b>Closing debate</b>	<b>p.37</b>
<b>Annex: Towards a “European Forum on Philanthropy and Research Funding”</b>	<b>p.41</b>

# Introduction

## Introduction

This report is a summary of the presentations, discussions and main conclusions of the conference organised by the European Commission services (Research Directorate-General) on “Giving More for Research in Europe: Strengthening the role of philanthropy in the financing of research”.

The conference came at a time when important developments are underway in the European Union, in particular, to place research and innovation at the heart of EU and national policies to support growth and job creation.

The event aimed to discuss how philanthropy (foundations, trusts, etc) can fund knowledge generation, in particular, research activities; and to explore strategies and initiatives to strengthen the potential of philanthropy as a source of funding for research in Europe. The active participation of over 200 delegates – including foundation practitioners, representatives of the wider charitable sector, public authorities, universities and research organisations, industry, and the European Commission – confirmed that the topic is of keen interest.

Delegates learned about the findings and recommendations of the **report “Giving more for Research in Europe”**, commissioned by the Research Directorate-General of the European Commission from a group of independent experts. Participants exchanged views and experiences regarding the issues at stake, and opportunities to be addressed, focusing on two key strands:

- Governance and friendly regulatory framework: The first strand reviewed a series of national initiatives to foster the role of foundations in research as well as cross-cutting issues relating to governance, legal and tax treatments of foundations and private donors.
- Philanthropic mechanisms to fund research: Presentations reviewed and discussed the different types of funding given by philanthropic institutions with a priority for research.

For the conference programme, list of participants, background material and full texts of the presentations, please visit: [http://ec.europa.eu/invest-in-research/policy/philanthropy\\_en.htm](http://ec.europa.eu/invest-in-research/policy/philanthropy_en.htm)

Participants and interested parties were invited to express their potential interest in a proposed European Forum on Philanthropy and Research Funding. An overview of the proposal and statements of interest received by the end of June 2006 is included in the annex to the report.

This report was prepared by the European Foundation Centre (EFC).

# Opening Opening Plenary plenary

The conference opened with a plenary session chaired by Yves Meny, President of the European University Institute and chairman of the Group of Experts who drafted the report “Giving More for Research in Europe”. Speakers outlined the specific roles of philanthropy and its potential in funding research. They also presented the recommendations of the expert group report, published in January 2006, to support foundations and private funding in the field of research.

## **Mobilising policies and funding to support research: Is philanthropy ready for the challenge?**

Janez Potočnik, EU Commissioner for Research

Janez Potočnik noted that this conference was without precedent: For the first time the European Commission had organised an event on the role of non-profit organisations in funding research in Europe. He first outlined the new Community strategy for research and innovation which provided the backdrop for this conference and giving for research in general; and further addressed the role that philanthropy could play.

R&D is an economic lifeline sustaining our quality of life and will be even more so in the future. Therefore, it is necessary to ensure that public policy – at Community and Member State level – provides the best possible conditions and incentives for research. The Commission has proposed a new approach to encourage more research and innovation in Europe. Its Action Plan has four strands:

- 1) improving framework conditions
- 2) mobilising EU funding
- 3) consolidating research and innovation at the heart of business
- 4) Community-Member State partnerships.

Among the improvements being considered in framework conditions are modernising company law and governance, including a feasibility study of a European Foundation Statute, and tax incentives to support research and innovation – the Commission will be issuing guidance on designing and implementing such incentives. Also important are measures at Member State level, including tax credits and improving the quality of education.

Commissioner Potočnik outlined the role of EU funding programmes, in particular, the 7<sup>th</sup> Framework Programme proposal. He underlined two new elements: The European Research Council to fund the best European research at the frontier of knowledge; and Joint Technology Initiatives to serve together as a focal point for all sorts of funding. Two other important sources of Community funds are the Structural Funds for 2007-2013 and the Competitiveness and Innovation Programme.

The Commission’s approach is to mobilise all policies and factors, including philanthropy, to tackle under-investment in research and innovation. Philanthropy in Europe has considerable potential, as it is not as well developed as in other parts of the world, such as the US. The key question is how to enhance its contribution to research in Europe. The amount of money foundations devote to research in Europe remains low. The challenge at policy level is to foster the creation, development and effectiveness of research-supporting philanthropic instruments. Some European governments have launched initiatives, including legislative measures, to enhance financial support of foundations in the field of research. These initiatives deserve to be more widely known as they are good models. Another key challenge is to make research one of the top priorities for the various philanthropic instruments, including different types of foundations.

The Commissioner also noted the growing importance of governance issues related to philanthropy.



There is a strong demand for improved transparency and accountability in order to justify favourable regulatory treatment. This is already on the agenda of foundations, which have developed their own codes of practice.

Europe needs a new vision to enhance knowledge for growth – philanthropy can contribute to this. This conference should help develop a shared appreciation of the potential role that philanthropy can play in supporting research in Europe. It is important to examine a series of recommendations to realise this potential, including the need for, and feasibility of, a European Forum on Philanthropy and Research Funding. Delegates' views and the conference outcomes will nurture future reflections on policies and initiatives in this area – in particular, those that may be required at Community level.

### **Encouraging Change. The role of foundations in European research funding**

**Wilhelm Krull**, Secretary General, VolkswagenStiftung; Vice-Chair, European Foundation Centre

During the next 20 years, Europe's economic paradigm will change fundamentally with the shift to knowledge-intensive products and services – this will require Europe to innovate intensively. The European Commission has developed a strategy (the Lisbon Agenda) to make Europe the most competitive knowledge-based economy in the world by 2010, raising investment in R&D from 2% to 3% of GDP. Although countries like Sweden and Finland are investing heavily and are ahead on many indicators, the EU as a whole is falling behind Asia and the US in terms of R&D expenditure as a percentage of GDP, the number of researchers per 1000 labour force, and basic breakthroughs. Mostly Americans now win Nobel Prizes. Mr Krull identified certain bottlenecks hampering research and higher education generally: Insularity of European universities, unattractiveness of scientific careers, under-funding of higher education – 1.1% vs. 2.7% of GDP in the US – and over-regulation of universities.

He listed several areas related to funding, career structures, and unleashing universities' potential. Among the key points regarding funding were that: funding should target universities willing to innovate, reform and deliver high quality – not just centres already excellent but also those with potential to become excellent – and should be competitive and output-related. It is necessary to set up pan-European funding structures, with a multiplicity of research funding institutions and development of new sources.

What can foundations do? The importance and number of foundations have grown in Europe in recent years. For example, 50% of foundations in Germany were established in 1990 or later. Compared to public and corporate funding, foundation funding will remain relatively small. However, it is not the amount of money spent but the approach taken that makes a difference. Research foundations add value in various ways. They can play an important role in facilitating change because, for example, they act more flexibly and quickly, do not have to wait for political consensus, and can act autonomously, supporting experiments in new areas, taking risks, and leading institutional reforms. Because of the perpetuity of their funds, they can be reliable partners ready to foster risky projects and help research break new ground, and are free from political and shareholder pressure.

Foundations have the capacity to encourage change. They should provide incentives for research in certain fields and stimulate new developments. They should use their independence to support researchers in under-developed but promising fields; fund high-risk projects that will not get public support; and foster research in and on regions and countries not on national political agendas. Foundations can, moreover, facilitate the process of European integration by supporting cross-border research projects. Mr Krull gave three examples showing that small initiatives matter: the setting up of new institutes of advanced study in Germany and Eastern Europe; the Central European University in Budapest; and a joint initiative of the VolkswagenStiftung, the Stiftelsen Riksbankens Jubileumsfond, and the Compagnia di San Paolo on common foreign and security policy studies. He also noted that foundations have a role to play in reconfiguring the science-public interface by helping research activities meet present challenges and create public debates on science.

In concluding his presentation, Mr Krull called on foundations to encourage mutual risk-taking instead of individual risk avoidance. Foundations can help higher education and research to tackle the challenges of change by, among other things, encouraging risk-taking, stimulating new

developments, creating role models for effective change of research strategies, and demonstrating that administrative and organisational change is possible. It is a suitable role and task for foundations to engage in a common effort to strengthen public and private investment in research. It is an opportunity for the European Foundation Centre (EFC) and its members to take the lead in this endeavour.

### **The Wellcome Trust's work in the funding of research: trends and challenges**

Mark Walport, Director, The Wellcome Trust

The Wellcome Trust is the world's most diverse biomedical research funding charity. In 2005 the Wellcome Trust's total charitable expenditure was £ 483 million. It is an independent charity established under the will of Sir Henry Wellcome in 1936. It is funded from a private endowment, which is managed with long-term stability and growth in mind. Its mission is to foster and promote research with the aim of improving human and animal health. The Trust funds excellence and encourages innovation by endeavouring to support the best researchers, the best teams and the best ideas.

Mark Walport outlined what foundations can do: He noted that they can act independently, ask difficult questions, exercise leverage, take a long-term view, be apolitical advocates and enter into partnerships, doing things no partner could do on their own. He illustrated these characteristics through examples of various projects, including public-private partnerships (PPPs), collaborative research grants, overseas programmes, and advocacy efforts. Among the examples he gave were:

- Sequencing one third of the Human Genome and ensuring free global access to sequence data on the Internet
- A National Survey of Sexual Attitudes funded by the Wellcome Trust – which the government at the time had refused to fund – which led to major improvements in our understanding of the spread of sexually transmitted diseases
- Supporting the Structural Genomics Consortium, a PPP engaging industry at a pre-competitive stage, which aims at determining structures of over 400 proteins relevant to human medicine facilitating the identification of new drug targets for cancer, inflammation, osteoporosis and diabetes
- Commitment to long-term support of major overseas programmes in Kenya, Thailand and Vietnam; studying malaria and other important diseases of the tropics
- Being a major partner in the Medicines for Malaria Venture, the world's largest dedicated programme of anti-malarial drug research and development
- Advocating open and unrestricted access to the outputs of published research

In closing, he noted what foundations cannot do: They cannot substitute government; enter into open-ended funding commitments; work without financial commitment from other partners; or work without consent.

### **Developing philanthropy as a source of funding for research: Key findings of an independent report**

George Papaconstantinou, Athens University of Economics and Business

George Papaconstantinou presented the main findings of the report on "Giving More for Research in Europe". The aim of the report was to identify and define possible measures and actions at national and European level to promote the role of foundations and the non-profit sector in boosting public and private investment in Research & Development (R&D). The report was commissioned to an independent group of experts by the research services of the European Commission in 2004 and prepared within the policy context of the Lisbon Agenda and the EU objective to increase R&D expenditure to 3% of GDP.

Until now relatively little attention has been paid by EU institutions to the role of foundations that fund research activities in boosting Europe's research effort. However, foundations represent an

important source of funding for some research activities and could be a key element in the strategy to create a European Research Area. Foundations can contribute to increasing the volume of funds for fundamental research and early-stage applied research that is not attracting industry funding. They can also help European integration by supporting cross-border research projects; they can fund interdisciplinary projects and enhance researchers' mobility and collaboration. Foundations not only bring money (quantity) but also unique characteristics (quality) which contribute to the pluralism of R&D funding. This potential, however, comes up against the reality that the amount of funds devoted by foundations to research in Europe remains low, compared to government and industry funding, and to funding by US foundations. The sparse data available suggests that the foundation sector accounts for a very small share of the R&D effort in most EU countries.

To address this problem, the report outlines a number of specific policy recommendations that aim to increase support to existing foundations and lead to the creation of new foundations and to improve the effectiveness of foundation funding. Key recommendations of the report are as follows:

### **1. Improve visibility and information about foundations**

Proposals range from improving information on the role and importance of foundations in different EU countries and the EU as a whole; to encouraging giving to research through national and international donation campaigns; to creating a European Forum on Philanthropy and Research Funding to share experience, review best practices and promote cooperation.

### **2. Create a more beneficial legal-fiscal environment for foundations**

The report asks for an improved legal and regulatory environment for foundations as well as a review of the tax treatment of foundations' activities to make tax benefit schemes broader, clearer, and more user-friendly, while appraising foundation status and tax exemption according to their public benefit activities. Competent authorities should also ensure that donations by individuals and corporations benefit from more generous tax credits or deductions.

### **3. Improve mechanisms for leveraging funds for research**

Proposed measures include the introduction of a system of "matching funds" for foundation-supported research projects at national and EU levels, encouraging "philanthropic venture capital", and the creation of "sector or issue-specific" foundations by the corporate sector.

### **4. Promote more effective funding arrangements and mechanisms**

Recommendations address the promotion of good governance, transparency and accountability practices of foundations. Improving networking and cooperation among foundations and increasing collaboration among foundations, government and EU institutions are also regarded as key priorities. Finally, the report calls for universities and research institutes to become more proactive in attracting additional funds for research and recommends exploring possibilities for the creation of university foundations.

### **5. Foster a more conducive EU-wide environment for foundations**

The report calls for a more conducive EU-wide legal-fiscal environment for the operation of foundations, in particular, through the adoption of a European Foundation Statute, as well as improved conditions for cross-border donation and foundation activities extending beyond national borders.

The recommendations are addressed to a variety of actors: National governments, EU institutions, foundations, business, universities, and the general public. Each of them has a part to play in enhancing the role and impact of foundations in the funding of research. For the momentum of the report not to be lost, a clear commitment from the various stakeholders is necessary: A European Forum on Philanthropy and Research Funding should be established by 2007, a mid-term review of the recommendation should be carried out in 2008, and the main recommendations should be implemented by 2010.

# Session reports

## GOVERNANCE AND FRIENDLY REGULATORY FRAMEWORKS

### 1. National, governmental initiatives to foster the role of foundations in funding research

This session highlighted a number of recent strategic initiatives of national governments to enhance the financial support of foundations in the field of research. The session stressed the need for stronger participation of foundations and private donation in promoting European research. The US provides a good example of what can be done by foundations to shape scientific policies and develop promising fields that are eventually supported by government resources. Foundations as promoters of research can be important bottom-up drivers in the interest of society.

Two countries were presented as examples where the government has decided to complement private funding for research. Several case studies illustrated the positive impact of such national initiatives for the development of research. However, a Dutch survey shows that philanthropic feeling moves people to give for many reasons, but not much for research. Therefore, there is a need to promote giving for research.

Philanthropic funding is a small part of research spending in Europe. There is room for significant increase in many countries without substituting for government funding. Current governmental initiatives in funding research should not be seen as "exit grants". Governments must continue to fund research if the Lisbon targets are to be reached, but philanthropy can play a very important role in some specific fields and help to diversify funding. Foundations can complement but would never replace public funding. Foundations are very important but they are not the only source of philanthropic funding for research. Other resources should also be reviewed.

#### **Novelties introduced in the 2003 French action plan to foster foundations funding research: Background and objectives.**

Michèle Hannoyer, Deputy Director, Direction of Technology, French Ministry of Education, Higher Education and Research

The number of foundations in France is relatively modest. Only 30 public utility research foundations have been identified to date and their contribution to R&D funding remains quite low (0,04 % of GDP) compared to other European Union countries. Promoting research foundations through the 2003 governmental action plan was seen as a new way to fund research by encouraging the creation of grant-making foundations and covering new research fields.

The French government initiative covered a general reform of the legal and fiscal environments of public utility foundations in 2003 and a specific scheme for research foundations in 2004 and 2005. The 2003 reform simplified the creation of foundations, including two model by-laws and introduced a new type the "spending down" foundation. In addition, tax incentives for individual and corporate donors were increased. The specific action plan for research foundations included the creation of a State Fund for the establishment of and support to research foundations in key sectors. The scheme requires that at least 50% of the endowment must come from private sources. This incentive scheme was limited to 2004 and 2005.

The financial incentive was accompanied by a specific reflection carried out by the state about public purpose. Michèle Hannoyer pointed out that donors have no ownership of research results and that scientific laboratories can communicate freely. The action plan has already delivered encouraging results: 21 new research foundations have been set up and eight existing foundations received

funding as well. The Fund works very efficiently. Public and private sources have pooled together some EUR 235 million of which EUR 110 million came from the State Fund.

### **The Research Foundation for Aeronautics and Space: Rationale and achievements**

Philippe Couillard, former CEO of EADS Space Transportation and paymaster of the public utility foundation "Research Foundation for Aeronautics and Space"

The 2003 French action plan enabled the establishment of the Toulouse-based Research Foundation for Aeronautics and Space, which aims at defining, promoting and financing research programmes mainly through public-private partnership, in the field of aeronautics and space, for a minimum of six years. The foundation focuses on the following research programmes: Security and safety of aerial transportation; development of technologies which minimise environmental damage; global efficiency improvement of aerial transportation systems; promotion of space applications towards sustainable development; and risk management and reinforcement of the technological base to maintain the strategic autonomy of the European aerospace industry. The funding of EUR 18 million comes from a series of companies and the French government (50% for 6 years). The board of the foundation comprises representatives of the industry, public research institutes and additional experts, and a representative of the French government in a mere consultative role. In addition, the foundation works with a four-member scientific council assisted by a scientific committee. Six research programmes, each financed at a level of EUR 3 million, start every six months. Each programme is subject to a series of calls for tender open to research institutes. Applicants are selected through the scientific council by the board. Contracts are awarded to research institutes by the foundation. Programmes are normally planned for three years. The foundation constantly monitors results.

### **Norwegian initiative for matching funds to the philanthropic financing of research**

Kari Balke Øiseth, Director General, Department of Research, Ministry of Education and Research

Halvor Stenstadvold, Vice-President, Norwegian company ORKLA

Philanthropic funding for research has not been very strong in Norway and has focused mainly on health issues. Historically the state was seen as the main funder in the area of research. In March 2005 the former Norwegian government issued a white paper which outlines a series of measures for strengthening Norwegian research. The paper, adopted by the Parliament in June 2005, included a series of proposed schemes, in particular, the "Donation Reinforcement Initiative". The Initiative enables the government to match donations for fundamental research with an extra 25%. Donations must be over NOK 5 million (EUR 600,000), focus on quality long-term basic research, and cannot directly benefit the donor's business activities. Enterprises (as of 2006), private individuals (as of 2006) as well as foundations and charities (as of 2007) are eligible donors to apply for matching funds. Beneficiaries include Norwegian universities, Norwegian university colleges that award doctorates, the Norwegian Academy of Science and Letters, as well as the Research Council of Norway. The donor and the receiving institution agree on formalities and use of the donation. The Research Council distributes the "donation reinforcements" to eligible institutions that receive private donations. Current figures are quite promising: Donors have pledged over NOK 600 million (~EUR 75 million). More than NOK 400 million will go to the University of Bergen.

Will this Norwegian matching fund scheme work – will it mobilise new private resources for research? Halvor Stenstadvold stated that science and research organisations compete with other recipients, and potential donors need to be convinced to give to science, rather than to heritage preservation, social causes, and cultural support. Basically, donors would only consider funding research if the grant really matters, if it finances projects they care about and it is accepted by shareholders and inspires employees. The grant would have to be used efficiently without unnecessary administrative costs, and of course donors would want to be connected to scientific quality. Will the Norwegian state support scheme really make a difference? Government co-financing can release more private funding for research if the current 25% level was increased. Halvor Stenstadvold suggested that the government could raise its co-financing to 50%. Many aspects of the Norwegian scheme are

positive, including the fact that all arrangements are to be agreed directly between donors and recipients and that grants are given directly to basic research institutes.

### **Rationale for the creation of a Netherlands Task Force on Giving to Research: Progress achieved and expected results**

Theo Schuyt, Professor of Philanthropic Studies, Vrije Universiteit, Amsterdam

Surveys of private giving in the Netherlands have been carried out for ten years through “Giving in The Netherlands” (GIN), whereas “the culture of giving” in the US has been documented for the last 50 years. The “Giving in the Netherlands” surveys show a growing philanthropic sector, which is becoming more professional. Sources of philanthropic contributions vary. They include individuals/households, bequests, foundations, businesses, and good causes lotteries.

The new Research Group, which was set up in the Netherlands in November 2005, aims at exploring new ways of funding academic research. In the European Union the trend to keep a committed welfare state alive is obvious. The crucial question is how to integrate the philanthropic impulse into the welfare state system. According to Theo Schuyt, too much bureaucracy often hampers government action. The market is dynamic but does not consider the aspect of equality. Philanthropy is also dynamic but has to deal with arbitrariness. Mr Schuyt therefore clearly stated that philanthropy can never replace but can complement the state.

The Task Force on Giving to Research will analyse current fiscal policy, cultural change, a revival of the culture of giving, political agenda-setting and policy development, as well as changes in the academic world. The creation of a national research foundation is also envisaged.

## **2. Legal and tax issues affecting foundations and private donors**

In reviewing some of the legal-fiscal regulations affecting foundations in the 25 EU Member States, it was not surprising to discover that every country has its own rules, and generally these create more obstacles than opportunities for cross-border activities of foundations. Specifically, this affects research which depends on international cooperation and funding.

Three main problems were identified:

- 1) The legal-fiscal environment for foundations at national level can still be improved in many Member States. Some progress has been made, but this should be followed up and good practices shared.
- 2) There is discrimination in tax treatment of non-resident foundations having activities in other Member States.
- 3) In most Member States there is clear infringement of the fundamental freedoms guaranteed by the EC Treaty due to unequal treatment of national and cross-border philanthropy.

Therefore, it is important that all stakeholders support two major legal-fiscal improvements:

- 1) Diminish as much as possible, discrimination that prevents foundations from working abroad in an effective way and discourages donors from supporting organisations in other countries.
- 2) Support calls for the European Commission to carry out a feasibility study on a European Foundation Statute. Such a statute would enable foundations working for the public good to benefit from a useful vehicle for their cross-border activities. It would facilitate cross-border work, help to pool resources by Europe-minded citizens and donors, and provide a benchmark for good practices.

The following two sessions addressed these issues.

### 2.1 Legal and tax treatments of foundations funding research: Obstacles and solutions

The session addressed legal and tax policies shaping the performance of foundations. Existing barriers and ways and mechanisms to overcome them were presented and discussed.

Participants stressed the importance of following two parallel and complementary approaches with the aim of improving the European and international work of foundations: On the one hand the development of an optional European Foundation Statute and on the other hand, mutual recognition and non-discriminatory national rules.

The recent withdrawal by the European Commission of the proposal for a European Association Statute should not have an impact on the development of a European Foundation Statute, as they are quite distinct organisations. Foundations are asset and purpose-driven institutions, whereas associations are membership organisations. However, it can be hoped that discussions on the Foundation Statute will also help to resume negotiations on the other proposal.

### Comparative overview of the legal and fiscal frameworks for foundations at national level: Trends and challenges

Carsten Carstensen, Ernst and Young Foundation

Drawing a panorama of foundations' operating environments in the European Union presents a challenge, which is due to the many different legal/fiscal cultures and environments. The requirements for the establishment of a foundation vary from one country to the next. In most cases some type of state approval is required. Some jurisdictions also require a minimum capital by law or in practice. Many European countries allow foundations to undertake economic activity when it is related to public benefit purposes. In some of the new Member States the rules are more restrictive.

The majority of national laws require annual financial statements and annual activity reports to be sent to the competent supervisory authority. Auditing would in most cases only be required for larger foundations. All EU Member States provide for special tax treatment for public benefit purpose foundations. However, what can qualify as public benefit in one country might not be considered as such in another. In addition, procedures for obtaining tax privileges vary. Donations to public benefit purpose foundations are generally exempt from corporate income tax. The same is applicable for income deriving from asset management in most countries. Foundations that pursue public benefit purposes are in the majority of the countries exempt from gift and inheritance tax. Some concerns were raised regarding indirect taxation, in particular VAT. Often foundations are treated as the final consumer and will pay VAT but will not be able to recover any.

Mr Carstensen concluded by referring to the European Foundation Centre (EFC) 'Model Law' for public benefit foundations, which has been developed based on this comparative analysis with the aim of influencing national foundation laws for the better.

### Cross-border legal and tax issues for foundations

Ana Sastre, Legal Department, Fundación ONCE

Administrative and legal burdens hamper the international work of foundations: In order to be able to operate efficiently in another country, a foundation often has to set up a branch in that foreign country (and more branches if activities involve several countries). A foundation's legal personality is normally accepted in a foreign country. However, the legal recognition may be challenged, for example, if a foundation pursues public benefit purposes that are not accepted in that foreign country.

Many countries prohibit foundations from moving their head office abroad. Foreign foundations – with or without a branch in the foreign country – must, in general, seek special recognition before being able to apply for a special tax regime for public benefit foundations. Foundations that operate abroad may lose their tax-exempt status. In addition, national tax laws often discriminate against non-resident foundations as regards income tax treatment. Investments in foreign countries are part of most foundations' strategic asset allocations. However, foundations often pay withholding

taxes on their foreign investments, which are not refundable. National gift and inheritance tax laws may provide tax exemption only for donations that go to domestic public benefit organisations and not to foreign public benefit organisations. In addition, foreign foundations are in most countries not able to receive tax-deductible donations. Almost all EU countries refuse tax deductibility for donations made to foreign foundations, which leads to less income from foreign sources.

### **The EFC proposal for a European Foundation Statute: Rationale and key elements**

Francis Charhon, Director General, Fondation de France

Rui Machete, President of the Executive Council, Luso-American Development Foundation

Francis Charhon, Chair of the European Foundation Centre (EFC) EU Committee, highlighted the rationale and need for a European legal instrument for foundations in the enlarged European society. An increasing number of individual and corporate funders have activities and assets in more than one European Union country and the European Foundation could be a legal tool for them. In addition, foundations have over the last 20 years increased their cross-border activity, and the European Foundation might offer the appropriate instrument for the cooperation involved in these activities. European citizens would use such an instrument to actively contribute and support the European public good.

It is hoped that a European legal tool would help to overcome existing legal and administrative barriers to the work of foundations. A European Statute could also serve as a benchmark in terms of governance, transparency and accountability in cross-border work and financing. In addition, foundations should not be discriminated compared to other legal entities and should be provided with a specific European statute. In 2005, the EFC finalised its recommendations for a European Foundation Statute, after several years of work to analyse existing regulatory frameworks and review the needs of the sector and legal gaps, in particular to support the cross-border work and cooperation of foundations. Mr Charhon outlined how the European statute for foundations fits into the overall development of EU company law. The European Company Statute was adopted in 2001, and the European Cooperative Statute in 2003. In 2001, the European Commission set up a High Level Group of Company Law Experts to review current trends in the field of European company law as well as the need for new European legal forms. The European Commission presented its conclusions in an Action Plan released in May 2006 and outlined that it intended to review the feasibility of a European statute for foundations by the end of 2006. Participants were informed that in December 2005, a new EU consultation was launched to review, among other issues, the need to carry out a feasibility study, which it is hoped will be undertaken in due course.

Rui Machete, Luso-American Development Foundation and chair of the EFC Legal Task Force presented basic elements of the EFC recommendations for an optional European Foundation Statute. The European Foundation (EF) would have activities in at least two Member States and a minimum capital of EUR 50,000. Legal personality would be reached upon registration with the competent authority, which would also exercise supervision of the later operation of the foundation. The EF would serve the public interest at large at a European/international level. Legal capacity is defined as widely and completely as possible. An EF shall in particular, be allowed to engage in trading or other economic activities provided that the income is used for the pursuance of its public benefit purpose. The EFC draft opts for a transparent and accountable legal framework for EFs. An EF shall be governed by a board composed of at least three members, which is responsible for all decisions with regard to the proper administration and conduct of the EF's affairs. The liability of board members is limited to wilful or grossly negligent performance.

If it is to achieve the aim of facilitating cross-border giving and receiving of gifts to and from foundations in different Member States, the European Foundation Statute would have to contain or to set in motion tax changes, which is currently hardly feasible because of lack of legal competence for direct taxation at EU-level. In the field of direct taxation, the legislative competence lies with the Member States. However, they must ensure that these national laws do not discriminate against individuals or legal entities on grounds of their nationality. In addition, national legislators should be encouraged to develop the appropriate tax rules for European foundations. The EFC has also developed recommendations in this regard.



## 2.2 Legal and tax treatment issues focusing on individual and corporate donations

The second session on regulatory issues focused on legal and tax policies shaping the environment of individual and corporate donors in the field of research, outlining favourable national schemes, as well as challenges and opportunities for transnational donation.

### Views from new Member States on legal and tax issues affecting foundations

Nilda Bullain, Director, European Centre for Non-Profit Law

Many new Member States provide for some kind of tax benefit for donations made by companies and individuals, the exceptions being Slovakia and Lithuania where individuals have no tax incentives. The types and amounts of tax benefits vary greatly although deductions from taxable income are typical (a system of tax credits is used in Hungary and Latvia only). 30% - 200% of a donation may be credited or deducted up to 2% - 40% of taxable income. With regard to the tax treatment of corporate donations, the "most generous" countries are Lithuania and Hungary. Individual donors usually receive the same treatment as businesses but at different rates: Limits for deductions range from 2% of taxable income (Slovenia), 5% (Estonia), 10% (Czech Republic) and 20% (Latvia). In most countries no gift or inheritance tax is levied on bequests to public benefit organisations, apart from Latvia and Slovenia.

So-called percentage laws, where a donor can decide that a certain percentage (depending on the country 1%-2%) of her/his income tax does not go to the state but to certain public benefit organisations, have been introduced in five countries and are under consideration in several others: Hungary (1997), Slovakia (2001), Poland (2003), Lithuania (2004) and Romania (2005). Does donation under the percentage law scheme help develop a philanthropic culture? Ms Bullain referred to recent research on the Hungarian and Polish schemes and concluded, "it may not help but does not hinder it". Its impact on other tax incentives however, can be problematic. In Lithuania for example, the tax deductions for individuals were discontinued upon the introduction of a 2% law. One may wonder whether tax incentives really make a difference. Ms Bullain referred to recent research from Hungary, which seems to show increasing philanthropic involvement of private actors with a limited role for tax incentives in such involvement. Overall, tax incentive schemes have an effect on the total amount of funds donated by individuals or firms, rather than on the very decision and motivation to give.

### Setting friendly tax schemes for donors: Issues at stake

Cathy Pharoah, Director of Research, Charities Aid Foundation (CAF)

In the UK, only a few foundations are dedicated to research per se, but among the UK's largest trusts there are five large academic/scientific foundations which promote research activity, namely, the Wellcome Trust, the British Academy, the Royal Society, the Wolfson Foundation, and the Leverhulme Trust. Together they represent 40% of the assets of all UK grantmakers (£ 11.5 billion) and make 13% of all grants in the UK (around £ 350 million). Research is also the mission of many single-issue operating trusts. No figures exist regarding the amount of research funded by foundations. A CAF study (2001) showed that 52% of all charitable funding for health and biomedical science in London, from all types of charities, goes to research. Giving in the UK is just under 1% of GDP – among the highest in Europe, and only behind the US. One of the reasons can be found in the encouraging tax regime, in which there is a mix of charitable tax-relief giving, some paid directly to the charity and some to the donor. The overall value of tax-efficient giving in 2003/2004 amounted to £ 2.7 billion by living donors and another £ 1.5 billion by legacies. The different tax-efficient giving schemes in the UK were highlighted such as gift aid, payroll giving and schemes on share gifts and property as well as inheritance tax exemptions. Gift aid steadily increased from 1992 to 2003. For 2003-2004, the value of the gift aid scheme amounted to £ 2,675 million gross of tax paid back to charities; other schemes pay tax relief to the donor, with payroll-giving amounting to £ 91 million and £ 100 million given tax-efficiently in shares and property.

### Raising funds for research: The view of donors

Monika Granja, Legal and Tax Programme Coordinator, the Czech Donors Forum

Monika Granja highlighted the situation of private donors in the field of research in the Czech Republic. The total funding for research in 2004 amounted to CZK 35,080 million which equals 1.3% of GDP. The bulk of the funds come from corporations (52,8%) and the government (41,9%). Out of 390 existing endowed foundations only 44 fund research. Looking at corporate donors, out of the 67% of companies engaged in corporate giving, only 2% support research regularly. The legal and tax framework for giving is quite favourable. Corporate donors can deduct donations to public benefit organisations up to 5% of taxable income, and donations for research up to 10%. Individual donors can deduct up to 10% of taxable income. There is an exemption from gift and inheritance taxes for donations to legal entities established to conduct activities in the fields of education and science, and to finance these activities.

Ms Granja presented some possible explanations for the relatively low level of funding for research: A lack of information and motivation and a clear lack of public awareness and media involvement. Direct profit from research output is also missing – the legal framework for patents discourages donors as patent ownership is only given to individuals. From a recipient point of view, inadequate access to information was mentioned, as well as the reluctance to rely on anything other than (secure) public funding. Limited cooperation and communication with donors can also explain the low level of research funding. Measures to improve the situation include understanding research not only as purely academic and better connecting research entities with the private sector. The awareness of potential recipients as well as donors should be raised, a process in which the media could play a crucial role. Lastly, the fundraising skills of recipients could be improved.

### What solutions at EU level: Transnational private giving

Ludwig Forrest, Project Manager, King Baudouin Foundation

Ludwig Forrest highlighted cross-border philanthropy as a source of funding for research. Cross-border philanthropy in Europe is growing as the population is increasingly mobile and owns property in various countries. There is also a growing interest in supporting causes that go beyond national borders. Unfortunately, cross-border giving is hampered by complicated and different rules from one country to the next. In addition, tax incentives in most countries do not apply to cross-border giving. The different tax treatment of national and cross-border giving could be in conflict with the EC Treaty. The European Court of Justice case against Belgium deals with a conflict of gift and inheritance tax rules with the EC Treaty. This could lead to equal gift and inheritance taxes for donations and legacies to national and foreign beneficiaries. Other improvements could be to allow the tax deductibility of cross-border donations. The King Baudouin Foundation has addressed the lack of structured information by developing an online database on cross-border giving, which provides users with information on how to give in the most effective way in Europe ([www.givingineurope.org](http://www.givingineurope.org)). For the time being, practical solutions may help such as “Transnational Giving Europe”, which is a sector-run framework allowing tax-effective cross-border donations by channelling them to partner organisations. It currently covers six countries and an extension to other countries is envisaged.

## 3. Governance issues and foundations funding research

The session looked at governance issues of foundations funding research, existing codes of conduct for foundations as well as Community initiatives in this area such as the EU framework for a Code of Conduct for non-profit organisations. It reviewed transparency and accountability, ethical issues and codes and how they can promote good practice, thus enhancing the image of foundations funding research, a key concern of this conference. Codes can create a climate of good governance, and greater trust in non-profit organisations, and thus make them more attractive to donors.

The debate illustrated that the potential vulnerability of the non-profit sector to criminal abuse and reputation issues were not the main driving force to set up codes of conduct or good governance. Such codes were developed long before the anti-terrorist movement started, and their main focus

was to professionalise the sector and promote effective grant-making and operations. The codes of conduct debate should not be mixed with the review of anti-terrorist legislation. Terrorist abuse would first of all be a matter of criminal law. Codes of conduct can promote transparency and accountability but the anti-terrorism debate should not put at risk or undermine the reputation of well-deserving organisations. The difference between foundations and other NGOs was stressed. The latter may be more vulnerable because of their fundraising activities; whereas foundations should know their beneficiaries – a crucial point also related to the use and the added-value of codes and, in particular, to the way in which they are actually implemented.

### **Promoting transparency and accountability: A European framework for a code of conduct**

**Dora Balazs**, European Commission Directorate-General Justice, Freedom and Security

Non-profit organisations (NPOs) can encourage and attract funding for research by applying transparent and accountable rules in their governance. Such rules can prevent diversion of funds from the organisation's statutory purposes. Dora Balazs presented the approach taken by the Commission aimed at establishing common minimum transparency and accountability standards for European NPOs without unifying national legislations. The Commission's recommendations were released in a Communication in November 2005. Fighting the vulnerabilities of NPOs to criminal abuse, including terrorist financing, is one of the main driving forces of the EU proposal. Ms Balazs recalled the European and international contexts, including the EU Counter Terrorist Financing Strategy and the work undertaken by the Financial Action Task Force, an intergovernmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. FAFT work includes the publication in 2001 of a "Special Recommendation VIII" about non-profit organisations and terrorist financing and a more detailed interpretative note in February 2006.

Dora Balazs stressed that the Commission wishes to propose a balanced approach and outlined that any initiative should not undermine the important work and good reputation of the vast majority of legitimate NPOs. The Communication focuses on two pillars: First, it contains recommendations to EU Member States advising that they should provide oversight of their non-profit sectors and operate publicly accessible registration systems for NPOs which enjoy favourable tax treatment, collect funds from the public or have access to public grants. They should encourage NPO compliance with a code of conduct on transparency and accountability, for example via public or private accreditation systems and awareness programmes for NPOs and intermediaries (banks, lawyers, accountants) on risk of abuse and detection. The second pillar is the Framework for a Code of Conduct for NPOs, which sets out a series of "standards". It encourages NPOs to keep available at their office certain basic identification information on their organisation; follow proper book-keeping practices; prepare annual reports and financial statements of income and expenditure; use formal channels for money flows for all transactions; and follow the "know your beneficiaries and associate NPOs" rule.

The Commission envisages further dialogue among interested parties of the public and non-profit sectors on the implementation of measures laid down in the Communication. It proposes organising a conference in 2006 and setting up a contact group to review the issues at stake. The European Commission will assess the results achieved by the Recommendation and Framework for a Code of Conduct three years after its date of adoption.

### **Setting the scene: Governance issues affecting foundations funding research**

**Volker Then**, Director, Philanthropy and Foundations, Bertelsmann Foundation

"Good" governance starts with balancing foundations' accountabilities. Foundations owe transparency to the public because of the tax breaks they enjoy. Public benefit requires transparency. In addition, foundations must be accountable to their donors and their beneficiaries. Foundations and their support organisations are actively addressing the issue. The European Foundation Centre (EFC) is currently revisiting its 1996 principles of good practice. Volker Then gave some insight into the ongoing debate.

First of all, foundations have to comply with the law. With regard to governance, foundations are usually self-perpetuating bodies as they have no members or owners. This explains why conflict of interest policies as well as board development and board evaluation will be crucial for foundations. Good stewardship is the third important requirement for foundations. Strategies, programme and investment policies need to be carefully developed, reviewed and evaluated. Disclosure of financial and activity information, as well as reporting on mission accomplishment and evaluation procedures, are crucial if foundations want to document the actual impact of their work. Programmatic success must be communicated. It implies evaluating not only individual projects but the overall mission and strategy of a foundation.

Fiduciary duties of governing bodies can be found at all levels. They would include asset stewardship with the aim to maintain the purchasing power of the endowment; guiding programme and policy development; monitoring and evaluation; disclosure and communications (accounting principles, reporting requirements, effectiveness of operations); cooperation with partners/staff (developing capacity and competences, guiding towards effectiveness and efficiency).

Looking at quality and credibility of foundations active in the field of research, a key point is how foundations as independent organisations interact with academic peers. Foundations have to respect academic standards but often also house expertise within the foundation. The autonomy of academia, the importance of peer-review and the neutrality of interest (impartiality of research funding and conflict of interest rules) were seen as key elements in this regard.

### **NGO codes of conduct: Strengthening the governance structure for the research contribution of NGOs.**

Frank Vibert, Director, European Policy Forum

Frank Vibert reviewed the development of codes of conduct for non-governmental organisations (NGOs). Why are more and more codes emerging? On the one hand, NGOs feel that their reputation is at risk and they want to be proactive. They want to participate in international rule-making and other governmental processes. On the other hand, the sector has become more professional and higher standards for governance issues are therefore inevitable. Sources for such codes can be found in existing corporate governance norms, which clarify the principal agent relationship between managers and stakeholders and strengthen the role of gatekeepers such as auditors and accountants. This approach also implies a shift to principles based on responsible reporting. Other sources are “regulatory” best practices. This approach uses “evidence-based standards”.

Mr Vibert recalled that NGOs play different roles in research. They can be funders or mobilise funding, undertake research and use/disseminate research. These roles lead to different approaches of governance, and challenges. As funders the mission of the organisation (campaigning vs inquiry led) could raise conflict of interest issues. As researchers, attention will have to be given to data selection, the research design and drawing of conclusions. As users/disseminators of research, misinterpretation has to be avoided. Mr Vibert reviewed the relevance of codes. The contribution of codes could certainly strengthen the research framework. They could lead to more transparency in NGOs funding research, more reliable NGO partners in the field of research and more credible NGO users.

## **4. Building trust with donors**

This session focused on ethical and governance issues relating to foundations funding research, and reviewed good practices in the field. There is no strong tradition for individuals funding research apart from health-related research. One of the key challenges is to bring scientific research closer to the citizens.

The panellists outlined how to build trust in the public and private donors for fundraising foundations. First of all, a foundation or charity should have a clear mission. It should be very clear to donors why this organisation exists, what its function is. The relevance of an organisation’s work to the public can often be the deciding factor: health and charitable causes are more likely to motivate the public than raising funds for a new linear accelerator. Secondly, while everyone agrees

upon the importance of accountability and transparency, these words are used so often that they have lost their authority. In addressing the public, it may be better to talk about clarity and honesty. Thirdly, it is essential to match the style of fundraising to the specific style of the public in question. Something appropriate in the UK may not work in France.

A key lesson of the session was that using a set of guidelines which have been tested on the public and found to be effective with the public, may be one of the best ways of moving towards increasing giving, even from governments.

The complementary role of public and private funding was stressed. Foundations wish to step in for innovative niches and add new value to research. They do not intend to replace public funding but to fund additional areas of research. If national and European authorities wish to increase foundations' engagement in research, they should stress the complementary role that foundations could play and make clear that they do not wish to withdraw their own funding.

### **Ethical issues for charitable funders: Cancer Research UK experiences and how they operate**

Richard Sullivan, Director, Clinical Centres, Cancer Research UK

Formed in 2001 by the merger of two smaller charities, Cancer Research UK is now the biggest R&D fundraising cancer research charity in the world with an expenditure of EUR 490 million in 2005-2006. Charities are a major force in EU cancer research. Quoting the US Senate, Richard Sullivan stated that ethical guidelines are aimed at "keeping bad things from happening to good charities". The framework for ethical considerations of charities covers standards of external review of the organisation, standards of membership, accreditation, etc. as well as internal standards. The mission of an organisation should be clear and simple. With regard to good stewardship, the organisation should have an open and direct relation with donors. In terms of accountability and transparency, it must be made clear where and how the income is spent. Donors should be actively engaged in the charity's work. With regard to governance, fields of activities should be transparent and open. Charities and foundations should learn from one another. A better climate for giving in Europe would be essential if one wants to raise investment in research. New charities should be promoted and fundraising techniques should be shared among Member States. The general public should be given what it wants, namely effective mechanisms to support disease specific causes.

### **Governance and Ethics: French Foundation for Medical Research practices**

Ghislane Alajouanine, President, French Foundation for Medical Research (FRM)

Ghislane Alajouanine recalled that research undertaken today will translate into employment in the future. This is an important perspective on the way to fulfil the Lisbon strategy. The role of philanthropy in the financing of research needs further support of all the different actors. It is up to all of us to change the mentality towards funding research. Ms Alajouanine noted that the number of foundations and the amount of their assets is lower in France compared with its neighbouring countries.

She outlined that 430,000 donors contribute to the Foundation for Medical Research, however, with a rather modest average donated amount of EUR 36. The foundation is focusing on its core values such as excellence, transparency, ethics, professional behaviour and partnership. In November 2005 the FRM adopted special rules which should be in place for the years 2006-2009. They introduce more transparency through an internal audit and a special certification system.

### **Ethical issues for fundraising organisations**

Burkard Wilke, Secretary General, International Committee on Fundraising Organizations (ICFO)

Burkard Wilke analysed the issue from a fundraiser's point of view. He reported on the activities of ICFO, whose members monitor charitable organisations on a voluntary basis. They apply similar standards within their differing national frameworks, which cover three main aspects: Financial means (transparency, efficacy, efficiency), management and supervision (competence, no conflict

of interests); and fundraising methods (truthful, accurate, non-misleading, dignity). Transparency and ethical issues in fundraising could be enhanced by using clear concepts and terminologies through self-regulation (code of conducts, etc.) and monitoring bodies (accreditation, certification, seals/labels) as well as public oversight bodies. The decisive factor is donor's trust.

Donors' behaviour seems to have changed over the past ten years. Today one would rather talk about "informed trust" instead of "blind trust". A British study showed that 90% of non-donors are more likely to donate if reliable information is available. Such reliable information could be provided by NGOs themselves or by independent "watchdogs". Ethical issues in the context of fundraising include the following elements: clarity and honesty about the use of funds; use of true and accurate arguments, i.e. don't create false or non-realistic expectations; provide an informative annual report (sources of income and expenditure, success and failure); be clear and honest about your reserves (amount, investment policy); do not put pressure on donors; provide true and fair information on administration and fundraising costs; and, last but not least, be honest about commissions.

### **Governance and ethics: Foundation for Polish Science practices**

**Tomasz Perkowski**, Vice President, Fundacja na rzecz Nauki Polskiej / Foundation for Polish Science

Tomasz Perkowski presented the governance and ethical practices of the Foundation for Polish Science (FNP), which was registered in 1991. The origin of the endowment is public money and the foundation has an annual expenditure of EUR 6-7 million to pursue its mission to support the best "to be even better" in all fields of science, the humanities, exact life sciences and technical sciences. A Council composed of seven members of different research fields and an Executive Board of two members governs the organisation. According to the Law on Foundations, the FNP is supervised by the Ministry of Science and Higher Education but it is an independent, non-profit legal entity. High standards of management and transparency are key elements of good governance and ethics. The foundation has developed elaborate financial management, internal control and reporting procedures.

How to finance the best? When funding research, the foundation wishes to select excellence through an open competition procedure. A key element is the use of the peer-review method to select projects. Equally important is the composition of the pool of reviewers to include various categories of potential beneficiaries groups, young researchers and female researchers, the use of experts, and ensuring a varied geographical, institutional and disciplinary distribution of reviewers. Evaluation of reviewers is the fourth key element.

Mr Perkowski further outlined the importance of cooperation (being a part of the community, both non-governmental and scientific) and openness to the scientific community and the general public. As an endowed foundation, losing contact with potential donors can easily happen. The Polish Science Foundation therefore decided to fundraise on a very concrete topic, namely to bring scientists back to Poland and stop the brain-drain. This fundraising effort turned out to be quite effective.

## PHILANTHROPIC MECHANISMS TO FUND RESEARCH

### 1. Foundation practices to support research

The presentations reviewed and discussed the different types of funding given by philanthropic institutions with a priority for research.

The session outlined the variety of research foundations with different institutional backgrounds and approaches, and varying funding modes. This variety is not a disadvantage as it ensures opportunities to think differently. A series of concrete examples highlighted current practices and trends, including different mechanisms to fund research. These foundations have a lot in common and can learn from each other. The session concluded that a European Forum on Philanthropy and Research Funding would provide a useful platform for mutual learning.

The debate stressed the important role of trustees in foundations' long-term operation. Delegates further discussed the role of company-owned foundations, and the question of whether they should diversify their portfolio with a view to increasing their future investment in research. Another item under review was whether foundations should set up their own research institutes or fund existing ones. A case example showed that a foundation chose to set up their own institute as it felt it necessary to conduct clinical research. Finally, the need for more small-scale support of researchers was underlined in particular in Eastern Europe.

#### A newcomer: The Champalimaud Foundation, background and objectives

Leonor Beleza, President, Fundação Champalimaud

Set up by one of Portugal's wealthiest entrepreneurs who bequeathed a large sum of money upon his death, the Champalimaud Foundation supports medical research at the cutting edge with a focus on the prevention, diagnosis and treatment of disease. The foundation aims to think creatively about everything it does and is governed by pragmatism, stressing application of research.

Central to its activities is the establishment of an international research institute in Lisbon, whose focal point will be transnational research in cancer and neuroscience, conducted by multinational teams. The primary objective will be to enhance the well-being of people, especially in developing countries, paying particular attention to the role of women and gender issues.

The foundation will also give an annual Vision Award for groundbreaking vision-related research in any scientific discipline, particularly fieldwork in pioneering treatment of blindness in developing countries. The EUR 1 million award will be given to teams of researchers, not individuals. The foundation will provide additional support through research grants and funding, educational scholarships and fellowships.

Ms Beleza stressed the need to improve science communication. There is a need for better communication of science to the public and increased public awareness of scientific issues and activities. This requires improved writing and reporting on science by the media.

#### The Lisbet Rausing Charitable Fund: Anglo-American perspective on private research funding in Europe

Peter Baldwin, Trustee, Lisbet Rausing Charitable Fund

The Lisbet Rausing Charitable Fund, a relatively new charity, funds any charitable purpose in the UK or abroad. The present policy is to make a few large grants to support activities of scholarly, cultural or social worth. It has a preference for projects that take an empirical approach.

Its main areas of funding are Environmental Conservation (grants to Cambridge and Yale universities), Human Rights, Education and Research (grants to think tanks in Russia and Sweden), Promotion of Philanthropic Activity (grant to Institute of Philanthropy), and Preservation of Social and Cultural Knowledge. The Lisbet Rausing Charitable Fund has devoted the bulk of its resources

to the latter (£ 40.8 out of £ 64.25 million), mainly for the Endangered Languages Documentation Programme that seeks not to preserve but document vanishing languages, and the Endangered Archives Program which seeks to digitalise archives from around the globe.

The Fund gives mostly to academic institutions in the Anglo-American world. According to the Shanghai List, out of the Top 20 universities in the world, 17 are in the US, 2 in the UK, and even in the next 21-60, the majority are American. The highest ranking French and German universities are in 46<sup>th</sup> and 51<sup>st</sup> place. Furthermore, he presented charts showing that the US spends twice as much per university student as Europe, with less than half of university funding from public sources (compared to 70-90% in Europe). This is related to the fact that charitable giving as a percentage of GDP is twice as high as in the UK and more than five times as high as in France or Germany.

As an illustration of US universities' proactive attitude to fundraising, he pointed out that UCLA has fundraised more than Oxford and Cambridge combined. In the US, funding from a variety of sources is sought: e.g. wealthy entertainers, ethnic communities, and homosexuals, who are a new frontier of fundraising, being affluent and childless.

### **Institute Pasteur: Example of a foundation associating big private donors with research funding**

Marc Thevenot, Institut Pasteur

Marc Thevenot outlined the history, achievements, current situation, organisation and work of the Institut Pasteur and philanthropic fundraising strategy. The Institut Pasteur is a private foundation of public utility which engages in three spheres of activity: fundamental research on infectious diseases, education and public health. Louis Pasteur was the first modern French "fundraiser". The Institut was established in 1887 following an international call to distribute a rabies vaccine, the first major French operation to raise funds internationally. The Institute's staff of 2,550, encompassing 60 nationalities, includes 8 Nobel laureates. Its main areas of research are viral, bacterial, parasitic and fungal diseases. The 2006 budget amounts to some EUR 224 million, 30.7% of which is drawn from philanthropic sources and income from assets.

The Institute's philanthropic strategy consists of actions targeting the following:

- 1) gifts and legacies from individuals;
- 2) partnerships with business (corporate philanthropy); and
- 3) international fundraising by Institut Pasteur branches in New York, Canada, Hong Kong and Japan.

In conclusion, Mr Thevenot observed that philanthropic funding is essential for the Institut Pasteur. It enables the Institut to conduct ambitious programmes and makes advances in scientific research. It is thanks to the generosity and confidence of its donors that the Institut Pasteur can carry on its mission of Research, Public Health and Education. However, the appeal to public generosity and philanthropy cannot function on a long-term basis without respecting rules on ethics and transparency, as well as the wishes of the donors.

### **Lundbeck Foundation: Example of a foundation set up under the Danish Commercial Act that provides funding for high-quality scientific research**

Steen Hemmingsen, Director, Lundbeck Foundation

In Denmark 70% of research funding comes from the business sector and 30% comes from the public sector and foundations. There are several public sector councils that provide funding, such as the Council for Independent Research. Private foundations provided an estimated EUR 134 million in 2005, out of which the Lundbeck Foundation contributed EUR 30 million. The Danish foundation sector consists of charitable, industrial and dual-purpose foundations. Lundbeck belongs to the third category. Foundations own many large industrial companies such as Maersk, Novo-Nordisk, Carlsberg, Lego and H. Lundbeck pharmaceuticals, which is 70% owned by the Lundbeck Foundation.



The foundation is regulated under the Commercial Foundations Act and operates independently of the company – there are no company executives on the board, nor are any grants given to the company (which has its own R&D budget). The foundation's objectives are to support and develop the business of the Lundbeck Group and provide funding for high-quality research. Its grant policies are independent of the government and industry and aim to strengthen Danish research in health and natural sciences, carried out at Danish universities or by Danish researchers abroad. The foundation finances individual projects as well as Centres of Excellence – in 2005 Lundbeck funded three Centres of Excellence in the field of neuroscience (EUR 16 million). Its grantmaking is guided by the principles of transparency, involvement of external reviewers, a policy for addressing potential conflicts of interest, and board self-evaluation every two to three years.

In conclusion, Dr Hemmingsen noted that Danish industrial foundations are increasingly funding university research. They make a decisive contribution to research, in particular to medical research, leading to strong university-based medical research, interaction between university-based and industrial research and development of a cluster of biotech companies.

## 2. Foundations and university research

European initiatives to create/enhance foundations generating funds for university research were presented, complemented by experiences from the United States attracting resources from alumni and from their local environment. The session identified a series of needs.

- The need to create, enhance and support government societal infrastructures: This must be done to facilitate and encourage more giving across the board to support research not as a substitute for core funding but as critical enhancements to create excellence and promote economic growth. The infrastructure can include matching schemes, tax incentives, public-private endowments etc. While regulation should not hinder philanthropic entities, these entities should adopt best practices promoting accountability and transparency.
- The need for research institutions to dedicate and develop long-term fundraising capabilities and resources to support philanthropic giving to research: Institutional funding strategies have to take into account the need to diversify funding sources. University leadership has to be fully behind the fundraising strategy and recognise the entrepreneurial skills within departments and faculties. It is not enough to set up a development office and hire professionals – the strategy has to utilise institutional knowledge and skills. Can the US model of fundraising work in Europe? Some participants maintained that it cannot be transplanted, while others felt it can be very effective if adapted to national cultures. Universities also have to do more to nurture relations with alumni.
- The need to recognise the changing relationship between higher education research institutions and those entities that support them with private contributions: Donors should be seen as partners in investment and discovery, and should be stewarded appropriately. Institutions need to adopt donor-driven strategies taking into account donor interests. Different strategies have to be used for different donors – private foundations, individual donors, alumni.
- There is also a need for universities to strengthen dialogue with major private foundations, and for foundations to have a stronger European role: A European Forum on Philanthropy and Research Funding would be useful in this regard. Discussions addressed public-private partnership investment in research through the creation of hybrid public-private platforms to overcome the somewhat rigid administrative requirements of continental European universities. Creating a platform is considered an effective solution as it enables much more common work than otherwise possible. It is basically a question of governance – creating common ground, common language and agenda for long-term cooperation, but foundations should have their say in setting the agenda. There needs to be more benchmarking based on successful European experiences with public-private cooperation.

### **Philanthropy in Europe: A difficult territory for university research?**

Joanna Motion, Vice President, Council for Advancement and Support of Education (CASE)

How can Europe overcome barriers to harnessing philanthropy to fund research? Joanna Motion listed alleged arguments according to which philanthropic funding would not work in a given country, e.g. "This isn't America", "We don't have the philanthropic culture", "It's the government's business", "We don't have a close relationship with our students". Are these explanations or excuses? What can we do to change this? She argued that, in fact, Europe does have a philanthropic culture, reflected in the many universities, hospitals, museums, etc. sustained by individual philanthropy, and does have the wealth.

Referring to the Shanghai rankings of universities, Ms Motion pointed out the high correlation between the Top 20 and the institutions that have successfully completed or are currently conducting billion-dollar-plus funding campaigns. The amount of philanthropic giving in the US is awesome. Education is second only to religion in the philanthropic pecking order in terms of targets of donation. It is also noteworthy that over three-quarters of donation comes from individuals.

A key challenge in Europe is to better position education (and within it, research) as an outlet of individual altruism and generosity and to argue that giving to education and research may be the most effective way to support the environment, the arts, cures for diseases, etc. This will require committed leadership, good staff, and building a culture of giving. Ms Motion stressed the importance of understanding the needs and interests of those who are able to provide support, especially alumni. She gave examples of large alumni gifts to the University of Manchester and New York University. Furthermore, given that fundraising is highly undemocratic, with 95% of funding coming from 5% of donors, choosing which potential donors to cultivate is a major strategic decision. Also one needs to build long-term relationships with prospective supporters: European organisations can learn from one another and replicate and improve on good examples.

### **European University Association views on philanthropic funding of university research**

John Smith, Deputy Secretary General, European University Association

John Smith presented the views of the EUA, a membership association of over 750 university members plus 34 national rectors conferences that seeks to be the independent voice for the university sector in Brussels. The starting point for its view on philanthropic funding is the Glasgow Declaration, issued by the 3<sup>rd</sup> EUA Convention of Higher Education Institutions, which states that universities are working to diversify their funding streams and are committed to exploring combined public-private funding models. Dr Smith stressed that philanthropic funding should be developed as part of a university's overall strategy for diversifying fundraising. Universities must recognise that to create an institutional fundraising culture they have to work closely with faculties and departments. There has to be excellence both in basic research and in entrepreneurial ability to raise funds and work with the business sector.

He reviewed three events following up on the Glasgow Declaration: The Uppsala Conference on Research in European Universities (October 2005), the Istanbul Conference on Fundraising for European Universities (February 2006) and the upcoming Hamburg Conference on Diversification of Funding, Student Support and Governance. Among the key messages from the conferences were that universities have to work within a framework of greater partnership between private foundations and public funding agencies; public funding must provide support for core functions and infrastructure; dialogue is needed between foundations and universities on research needs; university leadership must be behind developing an institutional fundraising culture, which has to engage the whole institution; the mission profile has to be defined and fundraising targeted accordingly; students should be nurtured and alumni activities and services developed as a follow-up.

He also stressed the need for universities to develop full economic cost models in developing their research base – this requires sound governance, management and accounting systems.

In conclusion, Mr Smith listed key EUA responsibilities as a conference follow-up, which include promoting best practices in supporting a fundraising culture, contributing to debate on national tax and legislative reforms, and undertaking benchmarking on private fundraising activities, such as the use of ethics committees.

### **Research funding for higher education: The growing role of individuals**

Joel Munson, University of Oregon

Mr Munson presented the US experience with fundraising from individuals to support university research, illustrating this with the example of the University of Oregon. Increasingly, individuals are playing a key role in supporting research. At the University of Oregon, 28% of revenue in 2003-2004 came from research contracts, gifts and grants, amounting to \$ 160 million, out of which \$ 65 million was from gifts, the majority from individuals. Gifts from individuals to support research came to \$ 12 million and are expected to range from \$ 75-100 million over the next five years, a significant figure.

Mr Munson stressed the importance of donor-driven fundraising: Matching donors' personal interests to research priorities and involving them as investment partners. Through proactive research, universities need to find individuals willing to support what they are doing; they have to find out what people care about, e.g. if you need support for cancer research, find people touched by cancer. Universities need to research their alumni but also cast their net further to identify potential donors through the scanning of public information sources and peer screening. And once a prospect has been identified, you must have a strategy for building and maintaining a relationship. It is essential to have strong marketing materials that bring research down to a level that laymen can understand.

Research funding faces several challenges. One of the biggest is the cultural perception of the government's role, i.e. why support a university getting public funding? Governments can indeed provide core funding, but extra funds are needed to make the difference between a good programme and a programme of distinction. He concluded by observing that the US model has a lot to offer Europe with regard to support for higher education research programmes, going beyond support from foundations.

### **The experience of the Chalmers University foundation: The role of modest endowments and of systematic fundraising**

Jan-Eric Sundgren, Chalmers University

The Chalmers University has undergone many transitions since its founding in 1829, becoming a government university in 1937 and in 1994 a non-governmental university with a new autonomous organisation and modest endowment (EUR 150 million, now EUR 230 million). It is owned by the Chalmers Foundation and operates as a limited company, just like Ericsson or Volvo. As sole owner, the foundation has to ensure high quality education and research and effective use of resources. Chalmers focuses entirely on engineering, natural sciences, architecture and mathematics, and has a small business school. The University is non-governmental but not private because approximately 51% of its turnover comes from the Ministry of Education and Science, including the tuition fees that are paid by the government.

In keeping with its tradition of interacting with the surrounding society, the University has set up a scheme of related organisations dealing with continuing education, innovation and start-ups, and industrial development. Entrepreneurial development and technology transfer are particularly important for the university – it has developed a good system which it continuously improves by creating spin-offs and financing start-ups.

Fundraising was often regarded as a "mission impossible" in Sweden, where individuals would say they have already paid through their taxes – some of the highest in the world. But people, especially alumni, have become much more willing to donate since they see that Chalmers is not a big "black hole". With its small fundraising office, in 2005 the University managed to make a return of 40 times what it invested in fundraising efforts.

Mr Sundgren summarised the advantages of being a university owned by a foundation: Having an endowment gives strength for renewal and enables quicker action, as does having organisational freedom; the hiring process is also quicker and more effective; it is easier to implement innovations; and fundraising becomes much easier when you can show donors where their money goes.

### **The Chalmers Environmental Initiative: Example of a research programme funded by Chalmers University Foundation**

Helene Bergsten, Coordinator, Chalmers Environmental Initiative (CEI)

Helene Bergsten shared experiences of CEI, a research project funded by the Chalmers Foundation. The project deals with environmental science and sustainable development. For the period 2000-2008 it has received EUR 10.5 million from the Chalmers Foundation and an additional EUR 43 million from other sources. With these funds it has recruited seven new professors plus several senior scientists, PhD students and guest professors.

The project aims to strengthen Chalmers University's position within environmental science and sustainable development by helping to create room for change. As a trans-disciplinary project, it aims to develop synergies with and integrate into existing Chalmers activities. The strategy of CEI is to focus on certain areas of strength that are of common interest to the seven professors, seek scientific depth but with a holistic approach, and work as a "matrix organisation", not as a separate department.

The team of professors have used CEI funding as "scientific venture capital" allowing them to try new ideas within a framework of continuous dialogue with the project's management. This has enabled them to approach potential partners to leverage this capital. The team received Chalmers Foundation funding plus some other Chalmers funding, then raised additional funds from research councils, and the EU and industry, which amounts to 53% of total funding until 2005. Without the initial EUR 10.5 million investment by the foundation, it would not have been possible to obtain as much as was finally raised.

She outlined the positive effects of CEI on Chalmers as it involves a broad network of 200 professors and PhD students; it has increased the credibility and visibility of this field, allowing research groups to enter new areas, attracted additional funding, bridged various scientific areas, and facilitated international cooperation.

### **Research funded by HEC Foundation: Achievements, challenges and trends**

Jean-Marie Hennes, President, HEC Foundation

Jean-Marie Hennes presented the HEC Foundation's support for the HEC School of Management, a leading French research centre. The school has around 100 permanent professors and 3,000 students, 5 major degree programmes and puts out over 50 research publications a year. The foundation is the school's main partner, supporting its research activities using resources provided by the foundation's member companies (e.g. Alcatel, Ernst & Young, HP, Toshiba). The school requests subsidies from the foundation which in turn has to analyse and approve these requests – the School's Research Centre similarly requests project funding from the Foundation's Research Committee.

HEC is among the top three research centres in France, but France is far behind other leading countries, especially the US. Two key issues emerge: How to ensure that European countries contribute to R&D in proportion to their economic weight, and how to convince companies and individuals that funding research is critical to their future.

It is necessary to explain what is really at stake and to create links between top managers and the faculty. Faculty competitiveness has an impact on industry competitiveness. One must attract top-level professors who in turn can attract top students and lead high-level research projects resulting in new management tools and applications, and a strong presence in the best journals. Also, top students will turn into the next generation of top managers. HEC has created such two-way cause-and-effect linkages as well as links between top executives and faculty.

Some recent achievements should be highlighted. In 2005, HEC raised EUR 2 million from companies and individuals for research and another EUR 1 million from the French Ministry of Research. This enabled the creation of a Dedicated Research Fund of EUR 3.2 million, which will enable recruitment of high-profile researchers and the tripling of the number of top-level publications. It is a fruitful alliance of private and public funds.

### **Strategic philanthropic funding sources for university research: How to find them?**

Martine Godefroid, Managing Director Europe, Factory

Martine Godefroid focused on strategies for identifying prospective donors in the fundraising cycle. She observed that prospect research primarily deals with a market: Is there a market for the programme being fundraised for? Who are the potential donors? What potential do they offer? Prospect research is very much a donor-driven approach. You need to learn about the interests and motivations of your prospective donors, enabling you to tailor your arguments accordingly. Moreover, you have to identify key supporters who can lead a fundraising campaign, e.g. by making a lead gift or getting involved in fundraising committees.

One should consider all potential funding sources – companies, individuals and foundations. Generally, prospects who can give substantial amounts require an individual, not a mass marketing, approach. One should research prospects systematically: to understand the market for your programme; to segment the donor constituency and identify those few who will give the most; to be more effective; and to reduce costs and risks – as fundraising costs money, identifying prospects and their potential, reduces the risks associated with an investment.

Ms Godefroid gave the examples of INSEAD and other academic institutions to illustrate that fundraising campaigns in Europe can be successful, although relatively few European universities or business schools have engaged in professional fundraising.

She then described the fundraising cycle, noting it is crucial to develop a long-term relationship and offer repeated opportunities to contribute. She outlined the importance of internal and external research to identify the prospect pool, and the need to assess the potential of prospects, applying three criteria:

- connection with your organisation (INSEAD alumni were critical in getting their companies to contribute);
- motivation towards your organisation or project; and
- financial capacity to make a significant gift.

But you also have to be able to address potential objections to your organisation.

### **Philanthropic and university research in Spain: Some data, some cases, and some thoughts**

Francesc Cribillers, Professor, ESADE

Francesc Cribillers gave an overview of private support for university research in Spain. At the outset, he noted the lack of data on philanthropic funding of research, the lack of a philanthropic tradition in the field of research, and the need for increased international recognition of Spanish universities.

He pointed out the sheer number of Spanish foundations, their relatively small size, a primarily local scope, and orientation towards culture and social welfare, with only 9% having science as one of their objectives. He then discussed saving banks, which earmark around 25% of their profits to philanthropic purposes (compared to only 2.5% for regular banks). The largest of them, La Caixa, spends EUR 45 million a year on science out of a total of EUR 300 million – it is one of the main funders of doctoral students abroad and young researchers.

Spanish companies contribute very little to university research and may not view universities as a driving force in economic development. This creates a vicious circle: companies do not invest in university R&D, universities then do not conduct the kind of R&D companies need.

Turning to private universities in Spain, he observed that they are seen to be in touch with the realities of the business world – many were founded to provide business education. However, these universities focus on teaching and do little research, though this is changing. Private institutions like ESADE, a highly rated business school, and Ramon Llull University focus on applied research and try to attract corporate funding. Spain's business elite fails to appreciate that university research is just as worthy of philanthropic funding as social and cultural causes. Only the active promotion of science and research among the Spanish public can change the situation and enhance the prestige of university research.

### 3. Giving for research by banks and other financial institutions

This session outlined the work of bank-related foundations in the field of research, and their giving patterns and strategies. Panellists outlined some of the comparative advantages of foundation funding. Foundations are flexible; they can support contentious areas as well as activities that do not fall within governmental priorities. They can have good local knowledge and at the same time can integrate a European and an international dimension to their funding schemes and cooperation programmes. The discussion focused on monitoring and evaluation, and the possibility of new ways of auditing projects. Private systems of foundations can contribute to the improvement of evaluation systems for research projects. It is important to focus not only on peer review but also on monitoring.

#### Funding activities in research by BBVA Foundation: Rationale and trends

Sergio Missana, Foundation BBVA

The BBVA Foundation employs three different mechanisms to support research in Spain: calls for proposals, targeted projects, and awards. The foundation has two objectives: generate and disseminate knowledge; and benefit society through this generation and dissemination. In supporting generation of new knowledge (i.e. research), BBVA has taken an original step, as traditionally Spanish foundations are involved in dissemination of existing knowledge. Calls for proposals are a bottom-up approach which gives the scientific community a fair degree of autonomy. The calls for proposals follow a peer review process carried out by an independent commission, with areas selected because they are emergent, interdisciplinary and of global interest. Calls for proposals focus on Biodiversity Conservation and Ecology, Social Sciences and Biomedicine, with two – or three-year projects receiving from EUR 80,000 to EUR 200,000. The foundation follows a complete evaluation cycle, both ex-ante and ex-post that aims to send a strong signal to researchers about efficiency, effectiveness and accountability. The results of research are then disseminated through publications, presentations, conferences and workshops.

Targeted projects follow a top-down approach which means finding an opportunity or specific need in an area or because a certain impact can be achieved. It also means supporting a specific project either financially, through public dissemination or through a certain product (e.g. book, website, workshop). This approach is less risky than calls for proposals in terms of obtaining a satisfactory product for the foundation.

With regard to awards, BBVA gives three types of awards. A scientific research award is given to scientists who expand the boundaries of knowledge. Teams of scientists must be nominated by universities or national academies; the award is open to scientists worldwide. The other two awards are for biodiversity conservation projects and knowledge dissemination which are aimed at work done in Spain and Latin America.

### Challenges in a research project funded by philanthropy

Montserrat Gomendio, Spanish Council for Scientific Research

Montserrat Gomendio discussed her participation in a BBVA Foundation-funded project aimed at developing reproductive biotechnologies and a genetic bank of endangered felines in South America. She also shared her one-year experience as a member of the selection committee for BBVA and described the advantages for researchers of foundation funding.

First, the priorities set by BBVA are different from those of the government. Projects have to be both scientifically sound and have applied aspects with a real impact on conservation. BBVA has a more international approach, while government funding is focused on national issues.

Second, foundation funding supplements the limited funding from government bodies, and thus allows one to undertake more ambitious projects with large research groups, particularly international collaboration (although it is difficult to use BBVA for additional funding since it stresses original projects with different objectives than those being funded by others).

Third, BBVA funding provides an opportunity to integrate researchers from other countries – the project collaborated with various groups in Argentina (e.g. Buenos Aires Zoo). Public funding sources do not always allow such integration, as they focus on supporting domestic research groups.

Fourth, it enables research to be carried out in other countries, as Ms Gomendio's team did in Argentina. Moreover, the project also made a big effort at knowledge dissemination.

Fifth, such funding enables allocation of a large proportion of funds to training human resources (e.g. PhD students). However, one major problem is that a substantial portion of funding is lost due to administrative procedures: 19% has to be deducted in overheads due to Research Council rules, additional costs entail 16% VAT.

### A grantmaking foundation as a catalyst for R&D policies: The experience of Cariplo Foundation

Carlo Mango, Responsible for the Scientific Research Department, Fondazione Cariplo

With an endowment of almost EUR 6 billion and total grants of EUR 147 million in 2005, Cariplo is one of the top 8 foundations in the world, and works in several areas: arts and culture, environment, and scientific research, support for the disadvantaged and other areas. Each area is led by a dedicated committee – the Scientific Research Committee includes two Nobel laureates.

The activities in the Scientific Research Area are structured on a call for proposals basis. In the field of biomedicine Cariplo receives around 200 applications a year and awards grants to 30 projects. Since 2001, the foundation has provided EUR 32 million to 220 projects in this area. In advanced materials, the foundation gets 60 applications a year – since 2003, 36 projects have been selected. The third call for proposals seeks to bring together leading foreign scientists and young Italian researchers to work on cutting-edge projects such as bioelectronics. So far, EUR 4 million has been granted for 12 international projects involving over 50 young researchers who have the opportunity to establish their own careers.

Dr Mango then reviewed methodological aspects of Cariplo activities with regard to strategic planning, proposal selection, programme management and project monitoring. Key aspects of strategic planning are the advisory board with two Nobel laureates who work with a team of top scientists, and “foresight studies” where Cariplo works with local and regional governments to design programmes. Proposal selection follows well-known transparent peer review methodology with 18 international referees. Programme management is based on non-stop relationships with grantees on both scientific and financial aspects of Cariplo projects, while project monitoring is based on three key assets: scientific, financial and communication skills.

### Cariplo Foundation support to the NOBEL Project

Elena Cattaneo, Milan State University

Elena Cattaneo shared her experiences with foundation funding of her scientific research work in the fields of neurology and biomedicine, starting with the Huntington Disease Society of America, Italy's Telethon Foundation and the Chicago-based Alzheimer's Association, followed by her move to the Cariplo Foundation.

She outlined the advantages and benefits of funding by foundations, which she sees as a critical source for development of research.

Foundations are flexible, have good local knowledge (e.g. Cariplo knows most scientists in Lombardy), can set high standards in selection procedures (e.g. through international committees), are free from political pressures, can boost science in rare or difficult areas (which the Italian government does not fund), and can help young scientists get started. While they respect researchers' autonomy, they also press their grantees to work more effectively and collaboratively.

Ms Cattaneo then focused on Cariplo support for the NOBEL Project which aims to boost excellence in science through the creation of technological platforms to promote networking between scientists and institutions. Her own Neural Stem-Toolkit Platform serves as a framework for innovation, technologies and knowledge which is applied to neural stem research, but can also be used by colleagues working in other fields, e.g. cardiovascular disease. She again stressed the importance of tight rules and monitoring – foundations should frequently check how scientists are doing. She also discussed the importance of regular grants (e.g. EUR 50-100,000) as seed money for initiating new lines of research and for groups of young scientists. She concluded by describing the process her university lab went through to create a spin-off with the help of venture capital support from a number of institutions (including FinLombardia), in cooperation with the Lombardy Regional Government and the Cariplo Foundation.

## 4. Scaling up resources through cooperative schemes and structures

Participants reviewed and discussed selected cooperation schemes (at national and European levels) of research foundations pooling funds for specific projects (e.g. research laboratory, training in social science, science and citizens, etc.)

The examples provided a good illustration of a pluralistic approach and of cooperation among German foundations. This experience could be of great value to developing European-level cooperation in the field. Cooperation with journalists was also underlined concerning the Euro-Science Open Forum (ESOF) initiative, as a key prerequisite to increase media visibility of European science.

### Promotion of social science research: Focus on the humanities

Axel Horstmann, Head of Humanities and Social Sciences Division, VolkswagenStiftung

Axel Horstmann presented a joint project of the Volkswagen Foundation and the Fritz Thyssen Foundation focusing on support for humanities research in Germany. Although the VolkswagenStiftung is bigger in terms of asset size and annual donation, the two foundations have similar profiles – e.g. both focus mainly on supporting younger scholars and researchers. With regard to humanities and social sciences, the Thyssen Stiftung is a major player in Germany.

Giving an overview of the current state of the humanities in Germany, Mr Horstmann stated the perception that the humanities seem to be in a critical situation, characterised by low self-esteem within the field despite its remarkable capacity, including top-notch scholars. Although the field boasts a huge and growing number of students, when budgets have to be cut, it is hit hard as it is not strong in getting additional funds from private institutions or agencies. Humanities scholars believe that foundations and the German Research Council favour large, cooperative projects, while with humanities, individual research is typical.



The Volkswagen–Thyssen programme seeks to tackle these challenges by offering longer-term support to individual young scholars (through Diltthey Fellowships) to undertake work in riskier areas with no thematic strings attached, while also providing established scholars with an opportunity to take leave to write an “opus magnum”. A third component involves building up the public image of the humanities through thematic conferences and workshops. The cooperation between the partners has gone very smoothly, with additional foundations getting involved. This cooperation is having a strong symbolic impact as a signal of support for the humanities. The selection of scholars is based strictly on scientific excellence that serves to set standards and examples for the future. Mr Horstmann foresees expanded and intensified cooperation with other private foundations in Germany and abroad, as well as new possibilities for public-private partnerships to support mid and long-term continuation of funding programmes.

### Scaling up global awareness on scientific research in the polar region

Thierry Touchais, Executive Director, International Polar Foundation (IPF)

Mr Touchais described the work of the IPF which aims to bridge the science-society divide; increase public awareness of climate change and sustainable development; and spur people to take action.

The poles play a key role in global climate, being archives of climate history and an early warning system for climate change. The concentration of CO<sub>2</sub> has already exceeded the normal limits (200-280 ppm), with the atmosphere and biosphere unable to absorb all the carbon, which leads to warming. The IPF is addressing this issue by communicating and informing people through the Internet, seminars and shows, as well as developing educational tools and training teachers.

But it is not enough to inform people about the problems, it is also necessary to demonstrate solutions. Thus, the IPF is working on two key projects: the Polaris Centre and the Belgian Antarctic Base, both scheduled for completion in 2008. Featuring an ice core journey and thematic rooms, the Polaris Centre will show the public the history of climate change and possible solutions. The Polaris concept will be spread worldwide. The Antarctic base, commissioned by the Belgian government, will be built with renewable materials, use renewable energy and have total waste and water treatment. The launch of the Polaris Centre and the Antarctic base will coincide with the International Polar Year which starts in March 2007 and lasts two years.

Mr Touchais outlined that IPF is a public utility foundation under Belgian law, with an operating arm based in Brussels and has three offices abroad – in Switzerland, France and the UK. He observed that a European Foundation Statute would be very helpful since at present a separate foundation has to be set up in each country. IPF is an operating, fundraising foundation whose funding sources include private donations, grants, private programme sponsorship and some public programme sponsorship. Over 80% of its spending is on programmes, 11% on administration, and less than 7% on fundraising.

### Private foundations spearheading the effort to create a platform for European research

Ingrid Wüning, Head of the Science and Research Programme, Robert Bosch Stiftung

Ingrid Wüning portrayed a new platform for European research initiated by Swedish organisations, the Robert Bosch Stiftung, the Stifterverband and other partners based on the AAAS (American Association for the Advancement of Science) meetings in the US. She began by noting the public perception that real cutting-edge research is going on in the US, and observed that Americans not only spend more on research as a percentage of GNP but talk about it in a very effective way.

One of the central events where science in the US presents itself to the international public and politicians is the annual AAAS meeting, generating extensive news coverage. It was decided that a European event like AAAS would be a powerful tool to strengthen European science, raising its profile internationally and outside the scientific community.

The EuroScience Open Forum (ESOF) was initiated in 2002 with little funds and no organisational structure in place. Two years later the first ESOF took place in Sweden with 2,000 participants. Approximately EUR 1.8 million was raised for the event. EuroScience provides the scientific

backbone, while foundations provide scientific management expertise and early risk capital. ESOF's agenda is science-driven, with eminent scientists from across Europe holding a majority on the Programme Committee. The programme of the event is designed on the basis of a bottom-up call for session proposals.

ESOF 2006, programmed to be held in Munich in July, was initiated by Bosch and the Stifterverband, which provide management expertise and half the budget. Other partners include the Stiftelsen Riksbanken Jubileumsfond, the Fritz Thyssen Stiftung, and the German Ministry of Research and Education. Ms Wünning concluded by giving a few recommendations for the future of ESOF, such as setting up a continuous organisational body, finding strong permanent partners, building up an endowment, and finding the right balance between project-led and donor-led fundraising – currently it is mostly project-led.

### **An association of donors and foundations promoting science and humanities in Germany**

**Stefan Stolte**, Head of Legal Services, Stifterverband für die Deutsche Wissenschaft

Stefan Stolte presented the Stifterverband and a specific example of its participation in a cooperation scheme. He pointed out that the Stifterverband is itself a cooperation scheme, an association that operates exclusively on private funds provided by its 3,000 business community members in annual contributions (EUR 30 million a year). This enables the organisation to carry out a variety of funding programmes to improve the structure and efficiency of higher education, promote science and research, and support key academic institutions. It responds to current developments and aims at innovative solutions as models. The Stifterverband also promotes a philanthropy-friendly legal-fiscal framework and publishes data on the R&D of German companies, which is used by the federal and state governments and international organisations.

The Stifterverband advises and administers over 370 foundations through its DSZ subsidiary, which offers a variety of services to foundations and to donors wishing to set up a foundation. Such professional management of foundations through an umbrella organisation leads to synergies and very lean administration, ensuring that funds reach recipients with minimum administrative effort.

Mr Stolte then focused on the Johann Gottfried Herder Foundation initiative which aims to help universities in Central and Eastern Europe to adapt their curricula to international standards and developments, by delegating German professors emeriti to universities in the region. It was started by two public organisations and six private foundations (including the Stifterverband) and is a successful example of public-private cooperation. He outlined some challenges in such cooperation schemes: e.g. some partners may face statutory time limits on their participation; statutory purposes have to match; and operating and grantmaking foundations may have different funding approaches. Still, the drawbacks are often outweighed by the advantages which include pooling of resources, synergy effects and improved public perception. The Stifterverband can help in preparing cooperation initiatives at an early stage. Mr Stolte concluded by recommending that foundations use platforms like the Stifterverband and the European Foundation Centre to identify potential cooperation partners.

# Closing Closing debate debate

Isi Saragossi, Director, European Commission Directorate General for Research welcomed the high attendance at the conference and substantive nature of the discussions. He noted that the expert group had done excellent work in setting the scene, identifying issues of common interest and providing a base for fruitful exchange. The conference helped to move the agenda forward. There is clearly a need for a more systematic exchange of experience at European level, for making progress in analysing issues and identifying possible solutions. That is why the idea of a European Forum is an important one. He identified three key issues from the European-level perspective:

- 1) The need for greater complementarity between philanthropic and government funding – this issue is likely to become more important with the further development of philanthropy;
- 2) The need for cooperation among philanthropic organisations across borders – they will have to join forces if they wish to support research collaboration on a larger scale; and
- 3) The need for taking account of foundation typology – differences in the types of foundations (e.g. endowment-based, fundraising) should not be an impediment to cooperation.

The closing plenary, moderated by William Wakeham, Vice-Chancellor, University of Southampton, featured session chairs and presenters who identified some of the main points raised during their respective sessions which were further debated with the audience.

Philanthropy and philanthropic organisations can and should play a growing role in funding research. The landscape is complex, as there are different types of organisations, processes and mechanisms involved, but this is a source of richness.

The expert group report and the conference are timely in many aspects, not least because the EU is becoming more nuanced in its understanding of foundations, their way of working, their role in society, and their contribution to boosting research investment. A number of steps were highlighted in the presentations and discussions: Developing a culture of giving that will lead to stronger universities for a stronger Europe; creating a beneficial legal-fiscal environment for foundations and private giving; improving conditions for cross-border giving, taking further steps on adopting a European Foundation Statute; and creating a European Forum on Philanthropy and Research Funding.

Four main topics were outlined in the closing debate:

- 1) the proposed European Forum on Philanthropy and Research Funding;
- 2) the operating frameworks and the European Statute;
- 3) university funding; and
- 4) governance.

## 1. European Forum on Philanthropy and Research Funding

The Forum is a key recommendation stemming from the expert group report. It could provide a platform for mutual learning, where key issues can be dealt with in greater detail, as well as become a useful forum for collaboration and sharing of experience regarding a variety of funding instruments.

Dan Brändström, Chair of the European Foundation Centre (EFC), announced that the EFC is prepared to offer the platform for this Forum. Initial discussion will start at the EFC's forthcoming Annual General Assembly and Conference in Brussels in May 2006. Interested parties are invited to express their interest in the Forum.

Mr Saragossi welcomed the EFC's initiative to propose the creation of such a platform – it is a challenge and the Commission is ready to help, but success will ultimately depend on the stakeholders' work within the Forum.

Gerard Salole, EFC Chief Executive, outlined that European foundations are able to cooperate and build consortia and that the potential in Europe is huge. One successful example is the Network of European Foundations.

## 2. Operating frameworks and the European Foundation Statute

Framework conditions for philanthropy and foundations are very diverse across Europe. The European Commission and the EFC could play a key role in compiling data; disseminating good practices, identifying problems with giving within a country and across borders, and stimulate debate on the culture of giving and framework conditions.

Mr Saragossi outlined that there is a need to prioritise legal-fiscal issues and demands. The Forum could help to review short and longer-term actions.

The conference's legal panels and debates outlined the need to proceed with a combined approach to support the European and international work of foundations. It consists of the development of an optional European Foundation Statute and the actual implementation of non-discriminatory rules for cross-border giving by resident and non-resident donors and their beneficiaries.

## 3. Universities' funding for research

The debate revolved around "unleashing universities' potential." A key focus of the discussion relates to university autonomy. Private funding targets universities willing to innovate, reform and deliver high quality. Greater autonomy is seen as necessary to fundraise from diverse sources. Private donors prefer to give to autonomous institutions, they want to finance programmes that excel, and may feel that opportunities for excellence are more likely to be created by universities with greater autonomy. At the same time cooperation schemes and platforms between universities and foundations are being developed as new flexible and "cooperative" tools to support research.

## 4. Governance frameworks

The whole question of autonomy is linked to governance, which should be a field of experimentation – different experiences need to be able to develop in Europe, in the foundation, university and research sectors. Trying to define a perfect institutional framework would be a wrong approach. The proposed European Forum could enable different institutional cultures to interact – such a platform would enable cooperation while preserving autonomy, which is not just an accessory but a defining feature of both foundations and research institutions.

Foundation governance has to follow certain rules concerning transparency to ensure that public interest is served, however any framework has to leave room for foundation creativity and innovation. Foundations must be proactive in creating a self-regulatory framework that takes into account the variety of their operating environments and contains a set of principles that can engender a common understanding of trust and confidence in the sector as a whole.

Governance structures and policies also need to be clear about ownership of intellectual property (IP) rights generated by research and commercialisation. While foundations can get some benefit from IP and plough proceeds back into their philanthropic work, research funding should aim first of all at public benefit and excellence.

# Closing Words

## **José Manuel Silva Rodríguez, Director General, DG Research, European Commission**

Closing the debate and Conference, Mr Rodríguez highlighted four key results of the conference.

The conference affirmed the notion that philanthropic support for research deserves serious consideration. The sessions clearly illustrated the important role that non-profit organisations, such as foundations, trusts and charities, can play as a source of research funding across Europe.

Time will prove that this event did provide a strong impulse to amplify this role considerably. However, despite the many cases and initiatives presented during the conference, it is clear that, given the current relatively low level of funds devoted to research by foundations, research-oriented philanthropy in Europe is operating far below its potential.

There is an extraordinary diversity in the way philanthropy is currently operating in Europe. This diversity is a strength that must be respected and retained. At the same time, we need to look for ways to harness this, e.g. through partnerships and cooperation which can promote synergy and knowledge-sharing.

Turning to the future, Mr Silva Rodríguez was pleased that the conference highlighted a number of priority issues that needed to be addressed in order to further enhance philanthropic funding of research. Regarding the proposal to create a European Forum, he expressed his belief that this Forum is necessary to provide a platform for foundations, trusts and charitable organisations to discuss and develop a research agenda for European philanthropy. He considered it as an important and timely step for making progress and thanked the EFC for taking the lead on this matter.

Regarding the question of what public authorities expect from foundations in the research field, he noted that Commissioner Potočnik outlined the Commission's views during the Opening Plenary. He also noted that speakers from various countries had outlined new national initiatives to foster the role of philanthropy in research.

As to what philanthropic organisations expect from public authorities, he observed first of all that they expect a friendly regulatory framework and removal of cross-border barriers – and the conference discussions have provided useful input into the current consultations on a European Foundation Statute. They also expect public authorities to enhance the perception of donors regarding the role of philanthropy in research. The important issues of transparency and accountability were highlighted at this event and warrant further attention.

His final point on the role of philanthropy in university research concerned the need to improve our knowledge in this area in order to contribute to the success of both foundations and universities. Building on the conference discussions, Mr Silva Rodríguez announced that the Commission is ready to launch, with interested parties, a new action to identify and review good practice in this area and define voluntary guidelines on better fundraising by universities, and invited participants to give their input.

# Towards a European Forum

## Towards a European Forum on Philanthropy and Research Funding

### on Philanthropy and Research Funding

The European Foundation Centre ([www.efc.be](http://www.efc.be)) intends to set up and organise a European Forum on Philanthropy and Research Funding. The Forum is aimed, in particular, at existing foundations, trusts, charitable organisations and universities interested in exchanging experiences and exploring how to make more and better use of philanthropy as a source of funding for research.

#### Interested in participating in the Forum?

If your organisation is interested in participating in the Forum, please contact the European Foundation Centre (EFC) at [eu@efc.be](mailto:eu@efc.be) or fill in the Expression of Interest Form (Expression of Interest to Join the "European Forum on Philanthropy and Research Funding" Form ) which can be downloaded at:

[http://ec.europa.eu/invest-in-research/pdf/download\\_en/expression\\_of\\_interest.pdf](http://ec.europa.eu/invest-in-research/pdf/download_en/expression_of_interest.pdf) (pdf 25 kb)

By the end of June 2006, 88 individuals had expressed their interest in joining the European Forum on Philanthropy and Research Funding, representing a range of research stakeholders, including philanthropic bodies (42.5%), universities (26.4%), non-profit research organisations (9.2%), public administration (5.7%), industry (4.6%) and other actors e.g. consultancy and educational organisations. As a way to help shape the agenda of the Forum, these organisations outlined their interest in the Forum tackling the following key topics:

1. "Research funding policies of philanthropic organisations" (24% of respondents);
2. "Corporate philanthropy to support research" (19% of respondents);
3. "Governance and ethical issues relating to philanthropic support of research" (17% of respondents);
4. "Legal, regulatory and fiscal issues relating to donors and philanthropic organisations" (17% of respondents); and
5. "Fundraising by universities from philanthropic sources" (16% of respondents).

Five percent of the respondents mentioned a number of other topics of interest, namely:

- Improving science education and awareness in society and greater involvement of the public.
- Improving training and professionalisation in fundraising and data collection; and encouraging greater cooperation between funding organisations. Universities underlined the need to find new ways to commit people to R&D.
- Developing links between EU funding schemes and philanthropy.

On this basis, the EFC will work with key stakeholders to define the roadmap to set up the Forum and its agenda. The official launch of the Forum is scheduled for 2007.

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