

Foundations in the EU: a growing phenomenon

What foundations are

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

Foundations in the EU

The sector is growing dynamically and beginning to achieve a major footprint. Some 43% of foundations in major European Union (EU) countries have been set up since the early 1990s. In 2005, across the EU there were c.95,000 public-benefit foundations (2.7 foundations per 10,000 people). Growth is due to escalating private wealth within and outside Europe. Increasingly, foundations are cooperating across European borders on issues and projects which directly benefit people, and are key to developing a citizens' Europe.

Their economic footprint

In 2005, 55,000+ foundations with assets of €237bn were based in 15 EU countries. The combined expenditure of a slightly larger sample of 58,600 foundations was c. € 46bn. Foundations are also big employers. Of 34,400+ foundations in ten EU countries, foundations on average employed over nine staff, which amounts to 311,000 people in those countries alone. And foundations give grants or capital support to employment, creating and sustaining initiatives in their fields. The expectation is that the philanthropically-inclined 'baby-boomer' generation will transfer a large slice of the wealth from new industries like IT and bio-science to 'public good' activities which largely coincide with foundations' expertise.

Foundation work is getting more international

Cross-border work has boomed. In 2007 two-thirds of European Foundation Centre (EFC) members were working across borders and also active outside their country of origin. Individual and corporate donors are more mobile, and increasingly have assets or investments in several countries. The internationalisation of foundations' work is a direct result of the internationalisation of the complex problems foundations contribute to address i.e. migration, global health and environmental issues. But laws aren't keeping up. Foundations often have to open branches in several countries. Europe should allow foundations to pool resources for public-benefit projects.

Barriers to foundations' cross-border work

- Difficulty recognising foreign foundations' legal personality and public-benefit status. Legal insecurity over national recognition of 'general interest' nature of resident foundations' cross-border work
- Foundations struggle with different national and even regional laws. New European initiatives delayed by lack of appropriate legal tools

- Administrative burden and cost of foundations setting up several branches in other countries
- Barriers in foundations' fiscal environments. Non-resident bodies suffer nationalistic tax discrimination

The European Foundation Statute (EFS) Feasibility Study

The European Commission has launched a study to examine regulatory differences, internal market barriers, and their costs. It will assess the foundation sector's scale and economic weight plus the impact an EFS would have on the sector and Europe's economy. It will consider how to remove barriers, how to set up a European foundation, and regulatory measures. Foundations hope the Commission will then draft an EFS Regulation for the European Parliament and Council to review. The Max Planck Institute for International Private Law (MPI) and the Centre for Social Investment (CSI) at the University of Heidelberg began work on the study in autumn 2007.

A new perspective for foundations

A complex web of national laws is frustrating foundations. Funders need freedom to work throughout Europe with minimal red tape. The answer is a European foundation statute (EFS). This should cover foundations' governance, transparency and accountability in cross-border work and financing, particularly in view of concern over the financing of terrorism. It would be a new, optional, public-benefit legal tool, governed by European law, and complementing national laws. It would not be a 'lowest common denominator' of national foundation laws.

Benefits for foundations

- Clarify terms and concept of foundations (own resources, independent governance)
- Develop common definition of 'public-benefit purpose' foundations (currently term 'foundation' is much too loosely used)
- Overcome existing legal, administrative and tax barriers and ease cross-border cooperation
- Help foundations work across borders, to reinforce policy coherence
- European benchmark of good practice (transparency and accountability)
- Specific EU legal tool for public-benefit foundations
- Facilitate individual and corporate cross-border donations to foundations

Benefits for EU citizens and policy

- Create EU tool for public good
- Reinforce EU's democratic life and integration
- Channel private wealth from newly-emerging sources into activities for public good
- Underpin EU competitiveness: knowledge society, research and innovation
- Promote sustainable socio-economic development, territorial cohesion in enlarged EU
- Advance European public good and citizenship, and help bring European institutions closer to citizens, as foundations can act as intermediaries
- Freedom of capital and establishment for all activities which assist EU objectives, regardless of who carries them out