

# European Foundation Centre



A case study of a multinational association

*“If we want things to stay the same then they will have to change.”*

—*The Leopard* by Giuseppe Tomasi di Lampedusa

## I *Organizational Profile*

The European Foundation Centre (EFC) was established by seven of Europe’s leading foundations—Charities Aid Foundation, European Cultural Foundation, Fondation de France, Fundação Oriente, Juliana Welzijn Fonds, King Baudouin Foundation, and Stifterverband für die Deutsche Wissenschaft—on November 9, 1989, the day on which the Berlin Wall finally collapsed and the process of European unification assumed a new potential. Initially, the EFC was a project of the European Cultural Foundation. It gained legal independence as an international association under Belgian law on January 1, 1996.

Today, the EFC serves 211 members, associates and subscribers in 40 countries.<sup>1</sup> It also serves 250 community philanthropy initiatives as well as a further 50,000 organizations linked through a network of information and support centers. The EFC’s Secretariat is in Brussels, Belgium. There is a branch office in Warsaw, Poland. At present, the EFC has 21 staff members<sup>2</sup>, four of whom work in the office in Warsaw. In addition, 10-12 volunteers are involved yearly in core activities and projects. The staff represent 18 nationalities who speak 14 different languages. However, English is the Secretariat’s main working language. The EFC’s 2002 annual budget was Euro 2.97 million (US\$2.91 million<sup>3</sup>).

*The EFC promotes and underpins the work of foundations and corporate funders active in and with Europe. Its vision is a community of informed, inspired, committed, independent funders engaged in seeking solutions to challenges facing humanity in Europe and internationally. Its mission, as a knowledge-based membership association, is to strengthen organized philanthropy, which is embedded in and supports civil society in Europe and internationally.*

**RESEARCHED AND WRITTEN BY:**

**John Richardson**, Chief Executive, European Foundation Centre, and

**Eric Kemp**, Director, Central and Eastern Europe, European Foundation Centre, Brussels

**WINGS**

<http://www.wingsweb.org>

<sup>1</sup>EFC’s membership in 2002 includes 37 Funding Members, 94 Members, 17 Guest Members, 57 Associates and six Subscribers.

<sup>2</sup>The staff includes one Chief Executive, two Directors, eight Programme/Project Coordinators and supporting staff, one Communications Coordinator, one Legal Affairs Officer, one Librarian, one Membership Coordinator, one Events Coordinator, two Accountants, one Computer Technician and one Receptionist/Volunteers’ Coordinator.

<sup>3</sup>X-rates.com exchange rate, Euro 1.00 = US\$0.980604, August 30, 2002.

The EFC helps nurture efforts aimed at supporting independent, accountable and sustainable funders throughout the “New Europe,” particularly when the right to associate private capital for public benefit needs fostering.

EFC membership includes foundations and corporate funders from all regions of Europe. Membership is also open to funders worldwide interested in working in Europe or with European foundations. Current worldwide members include funders from Japan and the United States. In addition to the two main categories of membership, EFC Member and EFC Funding Member<sup>4</sup>, provision is made for EFC Guests.<sup>5</sup> The Guest category for Central and Eastern European foundations is underwritten by a grant from the U.S.-based Charles Stewart Mott Foundation. Fundação Oriente sponsors a Guest program for Portuguese foundations. Agreement to observe the commitments laid down in the EFC Code of Practice is a *sine qua non* of membership.

*The EFC’s strength and effectiveness lie in its structure as a member-led organization.*

Members guide the work of the EFC through participation on five major policy bodies—the European Union Committee, International Committee, Resource and Development Committee, Annual General Assembly and Conference (AGA) Planning Committee, and E.U. Enlargement Task Force. These five policy bodies empower members by broadening their participation in EFC affairs and increase the EFC’s impact by widening its outreach.

The European Union Committee represents members’ interests at the E.U. level and monitors developments within E.U. institutions. The E.U. Committee also advises the EFC’s Governing Council on developments with regard to E.U. internal issues, interfaces with E.U. institutions and focuses on promoting an enabling operating environment for independent funders in the European Union, including encouraging research on organized philanthropy.

The member-led International Committee advises the EFC Governing Council on developments in organized philanthropy throughout Europe and the Americas, Africa, the Mediterranean and Asia. The Committee works in close

contact with associations of funders in other world regions with which the EFC has concluded cooperation agreements, in particular with the Foundation Center and the Council on Foundations in the United States. The International Committee maintains a representation and monitoring role in relation to governmental bodies, such as the E.U. institutions concerned with external relations, the World Bank and NATO.

The Resource Development Committee secures and builds EFC resources through the development and implementation of the appropriate membership services and recruitment strategy, marketing and communications programs. The AGA Planning Committee develops the premier international event for independent donors and plays a considerable role in formulating the main themes of debate on independent giving in Europe and internationally.

The EFC’s new Enlargement Task Force complements the roles of the European Union Committee and the International Committee by representing the needs and interests of EFC members from future E.U. Member States.

The committees and the Task Force report to the Governing Council, made up of EFC members. The Governing Council sets and oversees the vision, mission, institutional goals and strategies of the EFC. It is supported by a Management Committee, which focuses on specific activities and the way administrative and financial resources are managed. The top EFC decisionmaking body is its General Assembly of Members. The Assembly has an exclusive authority to amend the Articles of Association, approve the budget and accounts, dismiss members, appoint and remove members of the Governing Council and dissolve and liquidate the association. Technical assistance for the Assembly, the Governing Council and committee activities is provided by the EFC Secretariat.

The EFC’s Annual General Assembly (AGA) and Conference brings together some 700 representatives of private and public donors active in and with Europe for the conference and satellite events. The Conference enables foundations and corporate donors to convene and address important issues, such as tax, legal and fiscal reform, as well as regional interests and trends. It also serves as an opportunity for members, public authorities and grantees to exchange ideas and best practice, to form partnerships



and to learn about the latest developments in the independent funding sector in Europe and the world. Each year, the EFC holds its AGA and Conference in a different European city, with Brussels serving as the host city every third year. Members in the country where the Conference takes place form a Host Committee, which plays an important role in the Conference. The responsibility for the content of the Conference rests with the AGA Host and Planning Committees, selected annually and composed of members with expertise and interest in the given theme of the event.

In conjunction with its AGA and Conference, the EFC organizes an annual meeting for various national associations of donors in Europe. This network is made possible with the support of the Ford Foundation.

## **II** *Issues and Challenges of a Multinational Association*

### **Building European Philanthropic Consciousness and EFC's Membership Around a Code of Practice**

The institutions of organized philanthropy have centuries-old traditions and deep roots in the European consciousness. EFC members perceive their role as increasing the efficiency of citizen participation by strengthening civil society and injecting “European” values into civil society. However, accepting the existence of “European” values is one thing; translating them into concrete action on a specific issue is another. It often requires considerable investment of time, resources, patience and goodwill. The debate on EFC membership or the meaning of “foundations in Europe” can serve as an example.

The word “foundation” has a different meaning throughout the continent. In some countries it is an endowed grant-maker (Italy). In others, it can be an intermediary or umbrella organization for private donors (Belgium, France, United Kingdom). Sometimes, it can also be a grantseeker or a think tank (Poland). It can be a non-grantmaking owner of business (Germany). Thus a first question is, “what sort of organizations may be admitted as members of the EFC?”

A second question concerns the meaning of “Europe.” For many in the European Union, it means Member States. For some it means the continent, geographically speaking. For others it is a set of values such as respect for diversity, openness, transparency and belief in civil society as the bedrock of democracy.

A dedicated Code of Practice Task Force of members was formed to address these issues. In late 1995, the Task Force acknowledged that independent funders encompass an uncommonly broad variety of organizations with diverse structures, cultures and activities, and disparate concerns and policies. The Code expressly states that the European funding community includes countries in both the European Union and the wider Europe. The Code is an accommodation to European diversity and has since served as a starting point for discussions on developing more specific self-regulation at the national level. EFC membership is conditional upon subscribing to and observance of the tenets of the Code.

Those organizations that make grants and are working in Europe or with Europeans and subscribe to the Code of Practice are eligible for membership in the EFC. The Resource and Development Committee, whose mandate encompasses both membership and resourcing, processes applications for membership.

*A concerted commitment to the vigorous application of a Code of Practice and the development of the craft of funding is more than an internal need for the institutions of organized philanthropy. It offers evidence that ethics and professionalism are at the core of organized funders' considerations.*

Not insignificantly, the Code shows that independent donors are keen and capable of regulating themselves like other more-developed professional associations.

<sup>4</sup>Funding Members benefit from priority treatment regarding research requests and customized consultancy and services over and above those provided to members.

<sup>5</sup>Guests enjoy all the benefits of membership, except the right to vote at the Annual General Assembly (AGA).

## Developing a Common Legal Framework

The work on the Code of Practice is complemented by a separate group of members constituting a Legal Task Force of the E.U. Committee.

*The goal of this Task Force is to promote the legal operating framework for foundations in Europe by addressing three principal initiatives:*

- *Increasing knowledge about the legal situations of foundations;*
- *Comparing the legal environments; and*
- *Developing a European legal framework for foundations.*

So far, the Task Force has developed brief country profiles covering the legal operating environments for foundations in E.U. Member States. It has also developed a comprehensive chart that allows a comparison of legal and fiscal regulations and practices across Europe and plans to benchmark good legal provisions and practices.

The Task Force is also drawing up a model statute for foundations based on a comparative study of the different legal systems for foundations in Europe. As current developments at the European level, such as the Statute for the European Association, do not promote an environment for foundations, the Legal Task Force is reviewing how the model statute could serve as an alternative to current E.U. proposals. This Statute for European Foundations could be an additional and optional European instrument for foundations, compatible with national regulations.

The Legal Task Force encountered legal traditions which have their roots in the social, political, and cultural histories of individual states. Such traditions are often part of the intellectual consciousness of individual members of a specific task force. It has also had to work with specific national legislative and fiscal provisions related to inde-

pendent giving foundations. A compromise needs to be reached within the association; otherwise, it will be imposed from outside. Members have found it useful in preparing for this work to seek outside expertise.

## Maintaining Effective Representation with E.U. and Global Institutions

The EFC's European Union Committee works to ensure that EFC members have a voice in the development of policy at the E.U. level. EFC representation runs throughout the relevant E.U. institutions, up to the Office of the President of the European Commission. At a meeting with EFC delegates in April 2001, President Romano Prodi proposed that the European Commission would join with foundations in a project aimed at bringing European cultures together.

In addition to activities with the European Commission, the EFC closely follows the activities of the European Parliament, the Council of Ministers, the Economic and Social Committee and the Committee of the Regions by tracking the Commission's work with social economy organizations, reinforcing contacts with various Commission departments, and responding to E.U. position papers concerning civil society in general and foundations in particular.

The EFC maintains contacts with other European and international organizations, such as the World Bank, the Council of Europe, the United Nations and UNESCO. In its work with European institutions, the primary issue has been to educate policymakers about EFC's unique character. Much work is still needed for this to be fully understood by public funders, foundations and corporate funders and to dispel any confusion between funders and associations.<sup>6</sup>

A bid to improve and refine relations between foundations and E.U. institutions prompted the E.U. Committee to prepare a document on the role and characteristics of foundations in Europe with the aim of promoting better knowledge, understanding and recognition of foundations in E.U. circles. The EFC position paper "Working with Foundations in Europe: Why and How?" outlines the unique characteristics of foundations and emphasizes the potential role they can play in fostering democracy and promoting socio-economic development. The paper is used as a basis for dialogue with the European Commission.

<sup>6</sup>This is manifested in the continuing refusal of the European Commission's Consultative Committee for Cooperatives, Mutual Societies, Associations and Foundations to recognize foundations as being unique in relation to citizens' associations.



## Finding Creative Approaches for Raising Resources

The principal rationale for the creation of the EFC was to create a council-like body capable of representing the interests of foundations and corporate donors at the European institutional level. Complementary reasons for establishing the EFC included having a central pool of key services, such as convening, and the provision of information.

It soon became apparent that to build the EFC's membership, considerable effort was needed to strengthen its services. In 1989, there was very little European-level information on the role and contribution of independent donors to society. Hence, the first work was to create a public record and public information service on the work of independent donors. The Orpheus Program was designed to meet this need. Initially, it faced a number of challenges, including:

- How to create a public record on the work of independent donors;
- How to create this record in more than 35 different countries, using more than 20 different languages and having varied cultural, political, religious, socio-economic and legal traditions; and
- How to create the record with virtually no resources.

With the support of the Charles Stewart Mott Foundation, the Foundation Center in New York seconded an experienced staff member for five years to get the program off the ground. The decentralized Orpheus network grew rapidly and expanded to include organizations dedicated to serving civil society in their respective countries, including associations of donors. The funding for Orpheus continues to come chiefly from members on a project basis for development work. It also comes from the sale of various publications (e.g., directories), as well as from an increase in membership fees.

From this experience, the EFC learned that creative ideas that build on genuine and timely needs may be more valuable than money. Over the years, the EFC has had a number of staff seconded from members and has found this approach to be a useful way to acquire needed resources.<sup>7</sup>

<sup>7</sup>Seconded staff have included Mark Furuyama from the Sasakawa Peace Foundation (Japan) who spearheaded Corporate Citizenship activities in the mid-1990s and Suzanne Feurt from the Mott Foundation (United States) who launched the Community Philanthropy Initiative described elsewhere in this publication. Junior staff have been sponsored by the Fundação Oriente (Portugal). The EFC's present legal advisor, Hanna Surmatz, is an employee of Bundersverband Deutscher Stiftungen (German Association of Foundations), and is seconded to the EFC thanks to the generous support of Gemeinnützige Hertie-Stiftung, Körber-Stiftung, and Robert Bosch-Stiftung, themselves members of the EFC and of the German association.

## Reaching Out to Members

**Interest Groups.** The EFC has developed a variety of programs and internal structures to enable broad participation in the EFC and to encourage interaction among its members. An essential element of the success of the Orpheus Program was its ability to identify and respond rapidly and efficiently to genuine needs of independent donors. This was made possible by the creation of member-led Interest Groups. These informal coalitions may be subject-specific (e.g., Education and Youth) or geographic (e.g., Grantmakers East Group, which has reached nearly 500 representatives of private and public donors who have expressed interest in being kept informed of the Group's activities).

*Interest Groups help to ensure member and donor participation, indeed "ownership" of projects. However, Interest Groups require considerable up-front investment of resources and staff time. There is much listening that needs to be done. Information needs to be synthesized and the administrative burden is considerable for senior staff.*

Two important lessons were learned in this process. First, foundation staff are generally great with analytical and deductive skills. They apply or develop rules to specific circumstances and make their decisions accordingly. Working with colleagues from different organizations in an association-type setting allows them to strengthen their abilities to synthesize information. They examine specific instances of action and try to see what common principle there is and what activity would be most appropriate to add a multiplier effect or extra value to their efforts.

Second, many foundation program officers still need to learn how associations like the EFC work. For example, in discussing the budget, the focus is usually on getting the proposal approved, improved or rejected. Program officers need to realize that, unlike foundations, associations need to raise funds, and that process involves resources.

### **Improving Services for Members, Staff and Board**

**Members.** After a steady growth in membership for the first seven years, the EFC arrived at a plateau. It was understandable to the extent that while there are some 200,000 foundations in Europe, only a small minority work across borders and consider themselves European. But there also came a point when the EFC began losing a small number of important funders. The problem lay in the fact that the EFC was working at a single level, usually with the Director or senior program staff of the member organization. Once that staff person left the member organization, the institutional memory of the relationship with the EFC also vanished.

*With considerable help from its Board, the EFC developed and implemented a series of initiatives targeting a variety of member staff and their board members. In addition to Interest Groups, these programs include training for documentalists, fundraising seminars for foundations interested in leveraging their resources better, program officer training and technology-based initiatives.*

For the EFC, the added value of this approach was a changed perception on the part of members. They began to see the EFC as having “roots” (services) as well as the traditional “wings” of policymakers. While the heads of foundations are usually concerned with keeping abreast of political and legal developments likely to have impact on their operations, their staff are generally focused on sharpening their craft of grantmaking and maximizing the effect of their resources. The EFC found ways to meet the needs of both. One unexpected bonus was the generation of additional income for these services, which over time allowed the EFC to pay for a dedicated staff person for coordination of Membership Services.

### **Responding to Intergenerational Transfers of Wealth.**

In 2001, approximately 1,000 endowed foundations were newly established in Germany. The backbone of Germany’s and Europe’s economic successes—small and medium

enterprises—were starting to embark on a consolidation process. But their biggest challenge was to find new owners to take over from the post-war generation that was retiring or about to retire. Generally, the children of the current owners were not interested in taking over these family businesses, for the businesses demanded a great deal of personal sacrifice in return for the wealth they generated. This phenomenon, together with Europeans getting increasingly grey, gave rise to the largest-ever intergenerational transfer of wealth in European history, posing special opportunities revolving around harnessing the new wealth for public benefit in the form of organized giving. In response, the EFC developed a program to enable wealthy individuals to engage in effective and efficient grantmaking. The program complements similar efforts at enabling small foundations to develop further their grantmaking craft.

**Community Foundations.** In 2002, there were some 250 community philanthropy initiatives in Europe, with at least 50 others in the formation stage. They were present in 17 countries or regions, including Belgium, Bulgaria, Carpathian Euro-region (a region comprised of Hungary, Slovakia, Poland, Romania and Ukraine), the Czech Republic, Germany, Great Britain, France, Ireland, Italy, Northern-Ireland, Poland, Portugal, Russia and Slovakia. Other countries where the community foundation concept is being explored include the Baltic States (Estonia, Latvia and Lithuania), Hungary (where United Way plays an important role in terms of community philanthropy activities), Spain and Ukraine.

The EFC’s Community Philanthropy Initiative (CPI) began in 1997 with the support of the Mott Foundation and The Atlantic Philanthropies and became a formal project of the EFC in January 2000. A second phase is foreseen for the period 2003-2005. The project aims to promote the development of community foundations and other types of local philanthropic organizations through a range of information, technical assistance, training, networking, research and advocacy services. One of its main thrusts is to develop a European-level network of community philanthropy organizations, national support centers, funders and other interested groups. In addition, CPI has played an advisory role in the development of several transatlantic and global community philanthropy networks.



The official launch of CPI in January 2000 resulted both from the interest demonstrated by the Mott Foundation to stimulate the exchange of information and debate in Europe on community philanthropy and the general wish of other EFC members to monitor developments in the community philanthropy movement throughout the continent. EFC members recognized the importance of this task. They observed the exponential growth in the number of community philanthropy organizations in Europe and thus the need to respond in a formal way.

Developing a European-level network of community philanthropy organizations is a challenge that CPI will look at in more detail during the second phase of the project. This is an issue that implies not only extensive discussion with those working in the field to understand their needs, but also a more strategic debate inside the EFC on what this network would like and what its main objectives and activities would be. CPI focuses, in part, on endowment building and the importance of the consequent sustainability principle (i.e., long-term community development), which is one of the most unique features of community foundations.

CPI's work has demonstrated the relevance of the community philanthropy concept for individuals and groups all over Europe through its adaptability to different national realities and local contexts. In fact, the community foundation movement in Europe is experimenting with a variety of models, some closer to the U.S. model than others, but all of them very committed to the fundamental principles of community philanthropy. This is also a challenge. Representing a movement made up of so many different organizations entails compromise and a slower pace. Finding common platforms is a long-term process. Furthermore, balancing the local nature of these foundations with a pan-European EFC agenda is another challenge that CPI is helping to overcome, in particular via its annual networking meetings and the regular exchange of information.

#### **Corporate Citizenship: Global Vision, Local Impact.**

EFC corporate members represent primarily multinational corporations and as such have very specific interests and needs. Being global actors, they are increasingly expected to engage as partners in all aspects of the societies in which they operate and take responsibility, not unlike individual citizens, for strengthening communities and building social capital.

*Managing a global corporate citizenship program at the local level and identifying strategic partners present major challenges for global corporate donors. Cooperation with foundations creates added value for corporate funders; it not only connects them with experienced philanthropies and enhances their image in the community, but also enables them to draw on the foundations' resources, networks, knowledge of the community and expertise in program management.*

At the same time, such partnerships bring new dynamics and the potential for innovation in the work of foundations.

Responding to this issue and recognizing the mutual advantage for foundations and corporate donors, EFC's Corporate Citizenship Europe program has been designed to promote and underpin good corporate citizenship through:

- Assisting corporations to effectively implement their global corporate citizenship strategies at the local level in Europe, the Mediterranean region, Africa and Asia through encouraging and facilitating partnerships with foundations and other civil society actors;
- Facilitating the exchange of information and best practices through communications and convening; and,
- Enhancing the understanding of corporates and foundations about the way each group operates, their specific areas of expertise and the added value of partnerships and joint ventures.

The EFC provides platforms for dialogue and learning through the various thematic or regionally-based programs, as well as in a wide range of convening opportunities.

## Research

Organized funders, including Europe's biggest and most prestigious foundations, devote considerable resources to research. Paradoxically, from a comparative, cross-national point of view, few types of organizations have received less attention by policy analysts and researchers than organized funders.

Fondation de France, in the role of Chair of the E.U. Committee, is spearheading an initiative by European funders to set up a research fund catering to European philanthropy and the craft of funding. Until every public and university library in Europe displays a collection of in-depth works on organized giving, foundations and corporate donors will never have the broad respectability that they should command. It is a European tradition that adequate resourcing goes with a status soundly supported by research.

# III

## *Guidelines and Lessons Learned*

### **The Big Picture: Working with Multi-Country Members**

- Remember that any multinational association, like the EFC, is embedded in a socio-political economic matrix. This matrix changes constantly and it is crucial to stay in tune with developments and be ready to change while preserving core values.
- Recognize the unique role for independent donors, but remind them that they are in fact embedded in civil society.
- Build consensus gradually and focus on developing services based on the genuine needs of the membership, which represents different cultural, political and social backgrounds. Whenever possible, give leadership of projects to members while providing strong technical assistance.
- Remember that most members want the association to put them in a leadership position on issues of interest to them. Enable members to think and act as statesmen who think of the next generation as opposed to politicians who think of the next election.

- Create a member-driven mechanism for the deliberation of fundamental issues (e.g., membership). These mechanisms (such as the Code of Practice Task Force) need to take account of such factors as the geographic distribution of members. They also need to report directly to the decisionmaking body of the association, thereby making it easier to translate its consensus into action without too much additional debate.

### **Resources**

- Keep an eye on the bottom line. Do not spend money on projects that is not already in the bank or formally pledged.
- Keep your search wide when looking for resources. Explore the possibility of outsourcing parts of the projects and having members' staff seconded to you.

### **Working with Other Associations**

- Enter into symbiotic, rather than competitive, relationships with national-level associations by providing added value to those associations. In a multi-lingual international platform of funding information, the development of a network of national level sources of information is essential.
- Get involved with global players to get a feeling for what it is like to be part of a network that you do not run, to benefit from the experience of other associations working in a multi-national environment and to add value to members' efforts by addressing global policy issues.

### **Knowledge World**

- Prepare for a constantly increasing investment in information technology and the building and creating of knowledge. Few donors are prepared to fund these efforts, the value of which must be constantly communicated to funders and members alike.

### **Development of New Philanthropic Initiatives**

- With an increasing number of single individuals becoming wealthier, international donors' associations need to find their niche in providing services to those individuals to encourage the growth of philanthropy generally and strengthen the accountability, transparency, professionalism and legitimacy of private giving.

