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Foundations Supporting Research and Innovation in Europe: Results and Lessons From the Eufori Study

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Key Points

- This article presents the most important results of the European Foundation for Research and Innovation Study, the first study to map the roles and collective contributions of Europe's large, heterogeneous, and fragmented sector of research and innovation foundations.
- The study, based on a review of about 1,000 foundations, estimates that they contribute at least \$6.4 billion a year to research and innovation in Europe. While this estimate shows that the contribution is quite substantial, its economic weight is modest compared to that of government, the business sector, and other actors in the domain of research and innovation.
- European foundations prefer to describe their relationship with other actors as complementary. But foundations play an important role as innovative risk takers, and have greater flexibility than government and the business sector to support projects in underdeveloped areas. The various players in the domain of research have their own distinctive roles; together, they can make a difference in increasing the potential for research and innovation in Europe.

Introduction

The European Union faces a challenge in seeking a competitive advantage on the global economic stage. The knowledge economy, with research and innovation (R&I) at its center, is considered central to such an advantage,¹ but Europe lags

behind the other major economies in public and private investment in R&I. Although countries like Sweden and Finland are investing heavily and are ahead of many other European countries, the EU as a whole is falling behind Japan and the United States in terms of research and development (R&D)² expenditure as a percentage of gross domestic product. (See Table 1.)

The EU aims to devote three percent of its gross domestic product to R&D activities by 2020.³ To reach this target, government and the business sector need to expand their research funding. Philanthropy, meanwhile, is finding new form and meaning in an emerging civil society and awareness is growing among policymakers of its potential as a source of funding for research in Europe (Schuyt, 2010). The contributions of private citizens, charities, and foundations can play an important role in the stimulation of specific research areas and in diversifying sources of financial support.

European policymakers are increasingly recognizing the need for greater knowledge about foundation support for R&I (European Commission Directorate-General for Research, 2005; European Foundation Center, 2009; Gouwenberg, et al., 2015). Europe has developed a large and heteroge-

² The terms "research and development" and "research and innovation" are used interchangeably in this article. In general, the authors speak of R&I (including development) as defined in the Eufori Study. The figures from Eurostat in this article refer specifically to R&D.

³ http://ec.europa.eu/europe2020/index_en.htm

¹ See http://ec.europa.eu/europe2020/index_en.htm

TABLE 1 R&D Expenditure as a Percentage of GDP

| R&D Expenditure as a Percentage of GDP | | |
|--|--------------------------------------|--------------|
| | R&D Expenditure as Percentage of GDP | Year of Data |
| European Union (28 members) | 2.01% | 2013 |
| Finland | 3.31% | 2013 |
| Sweden | 3.30% | 2013 |
| United States | 2.81% | 2012 |
| Japan | 3.38% | 2011 |

Source: Eurostat, 2016

neous foundation sector; roughly 110,000 public-benefit foundations exist in the EU (Hopt, et al., 2009). Figures on the number of foundations supporting R&I in Europe are scarce, however, and little official data are available to assess the contribution of foundations to the European Research Area.

Therefore, the Center for Philanthropic Studies at Vrije Universiteit Amsterdam was commissioned by the European Commission's Directorate-General for Research and Innovation to map the contributions of foundations to R&I in the EU's 27 member states, plus Norway and Switzerland. The study was conducted in close cooperation with researchers from 29 countries; most are members of the European Research Network on Philanthropy.⁴ The European Foundations for Research and Innovation (Eufori) Study aimed to quantify and assess foundations' financial support and policies for R&I in Europe.

This article, based on the study's report, describes the landscape of foundations supporting R&I in Europe.⁵ After a short outline of the study's methodology, it discusses the differences between grantmaking and operating foundations and addresses foundation expenditures on R&I, their assets, and the relationship between foundations and other R&I actors. The article concludes with

suggestions for increasing the impact of foundations on R&I in Europe.

Methodology

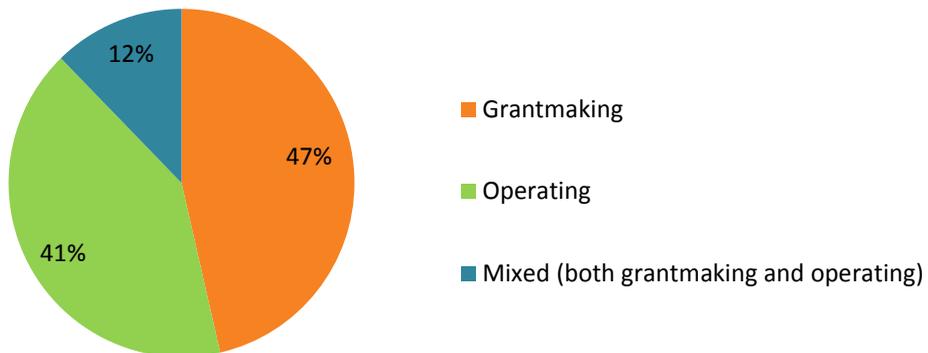
The Eufori research project was conducted in three stages:

- *Identification of R&I foundations in Europe.* A key goal of the study was to build a comprehensive database of foundations supporting R&I in all EU member states. While a lack of registers and databases in many countries meant the total number was not known (European Foundation Center, 2009), a broad sample of 12,941 foundations was gathered for the study using data from existing registers and snowball sampling. The sample was blurred by the inclusion of nonexistent or inactive foundations and those not focused on R&I.
- *Survey of the identified foundations.* All 12,941 foundations in the broad sample were invited to participate in an online survey. The study's data set then was narrowed to information from 1,591 foundations, including the most important players in the European R&I arena. About 1,000 of those foundations reported financial statistics, including income, assets, and expenditures.
- *Interviews with foundation professionals.* To contextualize the findings from the quantitative study, additional interviews were conducted with foundation professionals and stakeholders. These interviews provided crucial, in-depth information about the foundations' activities and their impact on the R&I arena.

⁴ The network was founded in January 2008 by collaborating philanthropy researchers to advance, coordinate, and promote excellence in philanthropic research in Europe. It has almost 150 members, from more than 20 countries.

⁵ This article is an extensive summary of the official report (Gouwenberg, et al., 2015), which is available at www.euforistudy.eu.

FIGURE 1 Types of Foundations – Grantmaking Versus Operating



The Landscape of Foundations Supporting R&I in Europe

Operating foundations, characterized by their own programs and projects and a clear service-delivery function, have been historically predominant in Europe; examples include schools, hospitals, and universities (Anheier, 2001; Anheier & Daly, 2007). Grantmaking foundations, introduced in the 19th century, are often endowed and make grants for specific projects or purposes (Anheier, 2001). In the U.S. many large grantmaking foundations were established in the postwar period of private-wealth accumulation, and they are typical of the landscape there (Anheier & Toepler, 1999). The landscape in Europe is more diverse. While similar wealth accumulation occurred in Europe and boosted the number of grantmaking foundations and those that mixed operating and grantmaking functions, the operating type has remained quite popular (Toepler, 1999; European Foundation Center, 2009).

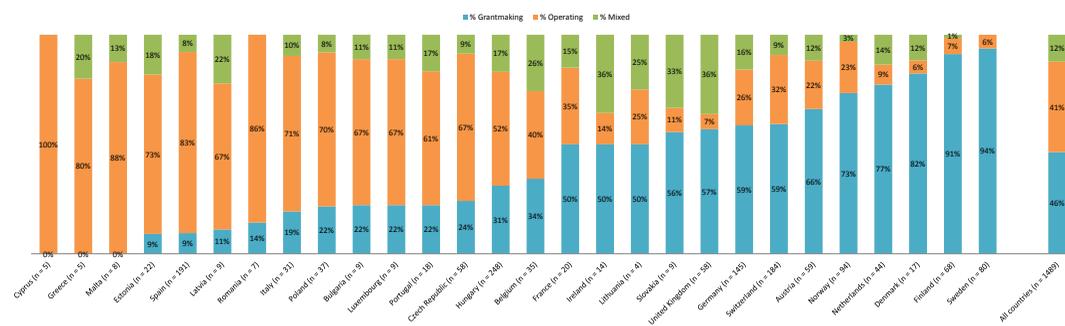
Among the foundations surveyed for the Eufori Study (n = 1,490), 47 percent identified themselves as grantmaking and 41 percent identified as operating foundations. The remaining 12 percent identified as mixed foundations. (See Figure 1.) The study confirmed that operating foundations are an important feature of the European foundation landscape and still represent a large share of the foundations contributing to R&I; a well-known example is France's Institut Pasteur. Europe's prominent grantmaking foundations include Alzheimer's Research UK, Stiftelsen Riksbankens Jubileumsfond in Sweden, and

VolkswagenStiftung in Germany. The Fundação Calouste Gulbenkian in Portugal and the La Caixa in Spain can be described as mixed foundations; they carry out their own research programs and give grants to other organizations.

The distribution of grantmaking and operating foundations across Europe is complex, with large differences among EU members. (See Figure 2.) In Mediterranean countries such as Spain, the percentage of grantmaking foundations is quite low – less than 10 percent – and 83 percent of foundations there operate their own programs. Scandinavian countries are at the other end of the spectrum, with most of their foundations – 94 percent in Sweden, for example – focusing exclusively on making grants. In short, there is a typical European diversity in the location of operating and grantmaking foundations supporting R&I.

Many European countries have a rich history in the field of poverty and social care, which is strongly related to religious institutions and dates as far back as the late Middle Ages (Anheier & Daly, 2007). Foundations in the field of research, however, are a relatively new phenomenon. The Eufori Study found considerable growth in the number of newly established foundations in Europe since World War II, and nearly three quarters of the R&I foundations in the study have been established since the 1990s – not only in Eastern Europe, where it was not possible to set up a foundation under Communist regimes, but in Western Europe as well. (See Figure 3.)

FIGURE 2 Operating Versus Grantmaking Foundations According to Country



Nevertheless, there are countries with a longer history of foundations supporting R&I. In the United Kingdom, for example, 40 percent of the foundations in the Eufori sample were established before 1949; in Sweden, research foundations have also historically played an important role in the field (Einarsson & Wijkström, 2015).

R&I Expenditures

The Eufori Study found that in 2012, foundations in Europe spent at least \$6.4 billion⁶ on research and innovation (n = 991). While this figure reflects the contribution of the substantial majority, including the most important, of these foundations, it should be considered a low-end estimate. More than a third of the foundations participating in the study (n = 1,591) were unable or reluctant to provide financial information about their R&I expenditures. Moreover, only 13 percent of the 12,000 foundations invited to participate in the study did so. Nonetheless, \$6.4 billion is a considerable amount of money, especially compared to the EU’s Horizon 2020 seven-year budget of \$90.3 billion for research. Assuming the amount spent in 2012 is representative, foundation expenditure on R&I for the same period would amount to roughly \$45 billion – half the EU’s projected budget.

A lack of continuity is often cited as a weakness of foundation support, as they enjoy a high degree of autonomy in allocating funds (Anheier & Daly, 2007). But the Eufori Study found that a

quarter of the 915 foundations that reported on their projected R&I expenditures for the following year, 2013, expected an increase and a majority, 61 percent, expected their expenditure would remain the same. Only 12 percent expected a decrease and just two percent expected their R&I expenditure to cease. Funding levels for the previous year, 2011, were also positive: 26 percent of the 943 foundations reporting data on that year said their R&I expenditures had increased and a slight majority, 53 percent, said their expenditures were unchanged. Only 16 percent reported that their expenditures had decreased; in 12 cases, R&I expenditures had been discontinued.

At \$6.4 billion in 2012, the foundations’ share of the EU’s gross domestic expenditure on research and development – \$353.6 billion⁷ – is relatively small (about two percent)⁸ compared to investments by the government and the business sector. (See Table 2.) This relationship is reflected in how foundations see their own role in the research arena. Almost three quarters of the Eufori Study foundations described their function as complementary to public- and business-sector support for research. (See Figure 4.) But from the beneficiary perspective, foundations’ contribution can make a significant difference in such projects and programs as researcher mobility (i.e., career structure and progression) and the dissemination of research (seminars, conferences, etc.).

⁶ Based on an average exchange rate in 2012 of 1 euro = 1.28577 U.S. dollars. See <http://www.oanda.com/currency/average>

⁷ This figure is for the EU-27 plus Norway; there were no 2012 data available for Switzerland.

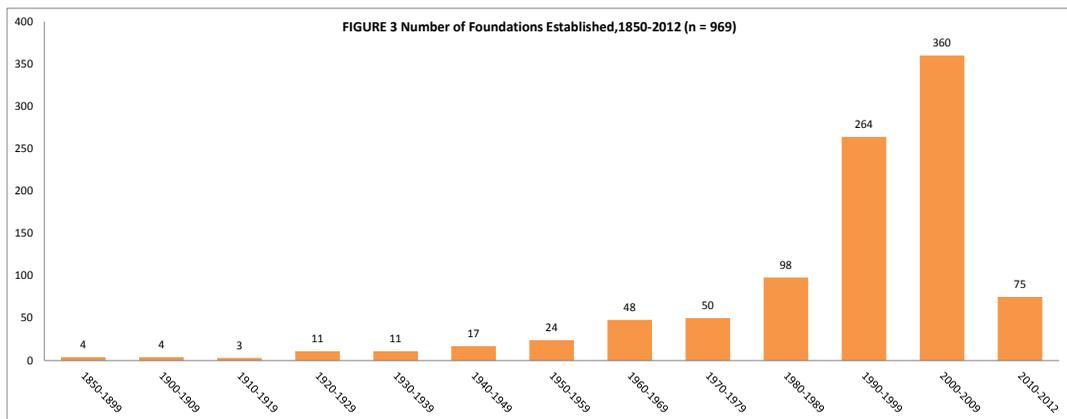
⁸ Although the expenditure of foundations is covered in the EU R&D statistics, it was until recently not possible to distinguish the funding share of foundations.

TABLE 2 GERD of EU-27 Plus Norway in 2012

| GERD of EU-27 Plus Norway in 2012 | | |
|-----------------------------------|--|---|
| | Gross Domestic Expenditure on R&D (GERD) (in billions/euros) | Gross Domestic Expenditure on R&D (GERD) (in billions/U.S.) |
| Business sector | €174 | \$223.7 |
| Government sector | €34 | \$43.7 |
| Higher education sector | €65 | \$83.6 |
| Private nonprofit sector | €2 | \$2.6 |
| Total | €275 | \$353.6 |

Source: Eurostat, 2016

FIGURE 3 Number of Foundations Established, 1850-2012



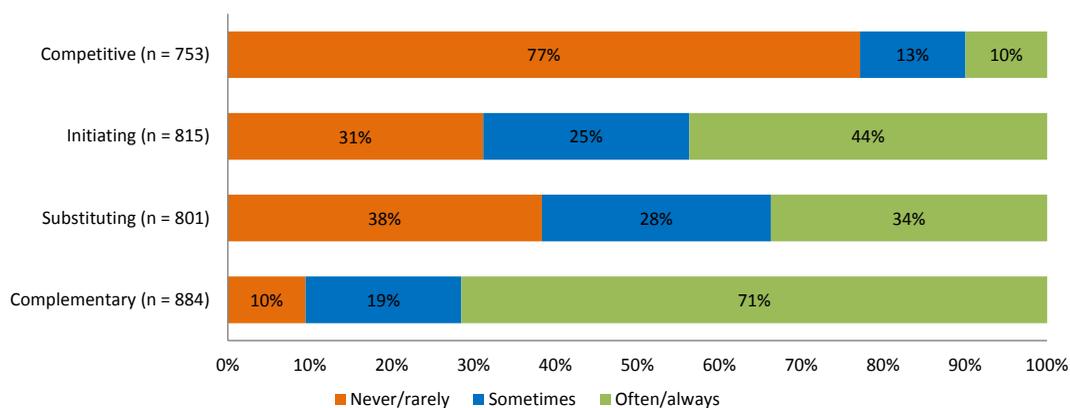
An initiating role was identified as prominent by 44 percent of the foundations in the Eufori Study. Characterized as independent and risk-taking organizations, foundations provide seed money for innovative initiatives, sometimes in undersupplied or underdeveloped areas. This can be illustrated with the example of the Shell Foundation in the U.K. It provided \$3.5 million in seed funding to leverage an additional investment of \$25 million to scale up and spin off the Breathing Space Programme: Indoor Air Pollution, a partnership with the U.S.-based environmental nonprofit Envirofit (Gouwenberg, et al., 2015). In this regard we share the conclusion of another study on R&I foundations in Europe: “Foundations not only bring with them money (quantity), but also competences and unique characteristics (quality), which contribute to the pluralism of R&D funding” (European Commission Directorate-General for Research, 2005, p. 8).

Contributions: Uneven Distribution

The Eufori Study found that foundations’ R&I expenditures vary widely from country to country. (See Figure 5.) The top four countries for foundation contributions to research are the U.K., at \$2.13 billion; Germany, at \$750 million; and Denmark and Sweden, at \$570 million each. The uneven distribution in R&I expenditures among these four nations is striking: foundations in the U.K. spent about four times as much on R&I as did the foundations in Denmark and Sweden. Moreover, these four countries are responsible for two thirds of the total expenditure on R&I by the foundations in the study.

The study revealed that most R&I foundations in post-Communist Eastern Europe and the peripheral countries of Greece, Cyprus, and Ireland lack significant funding (Gouwenberg, et al., 2015). These foundations are mostly grantseeking, have

FIGURE 4 Role of R&I Foundations



small or no endowments, and are largely dependent on EU structural funds or subsidies from the national government. As a consequence, the financial independence of the foundations in these countries is limited.

It can be concluded from the study that the European landscape of foundations supporting R&I can be characterized by a few very large, well-known organizations with substantial budgets available for R&I and many small foundations with modest resources that often operate in the background. The U.K., for example, is the top contributor, primarily because the largest research foundation in the Eufori Study data set – the Wellcome Trust – is by itself responsible for 44 percent of all research expenditure in the U.K.; its contribution would rank second in Europe if the trust was considered a country. This situation applies elsewhere: in Portugal, Calouste Gulbenkian is responsible for 50 percent of the country’s foundation spending on research.

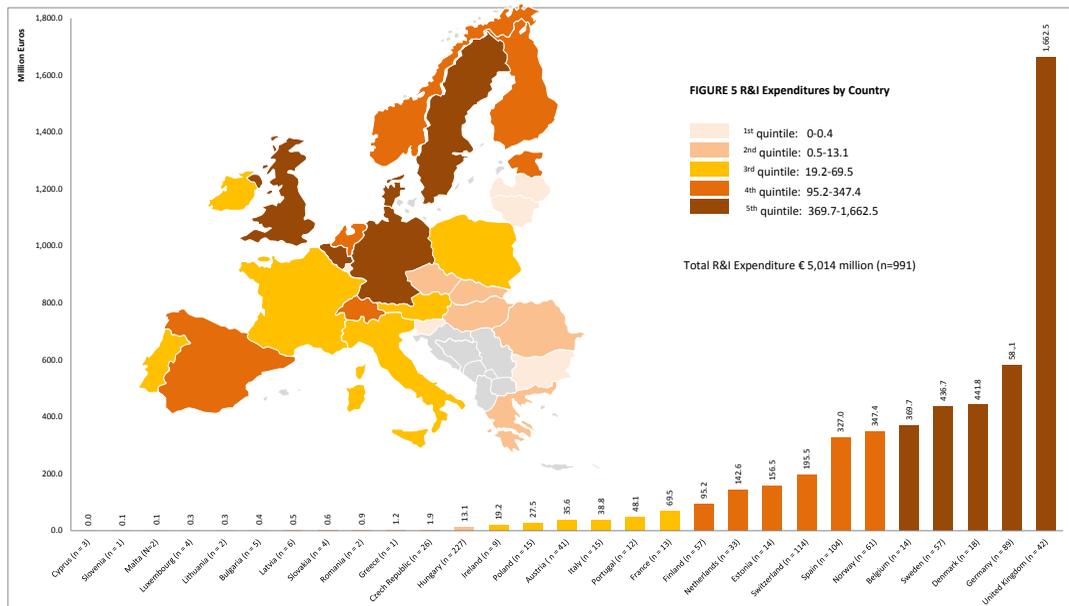
In another important finding, many foundations supporting R&I do not consider themselves an “R&I foundation” and do not define themselves as a research community. This could be explained by the fact that about two thirds of the Eufori Study foundations do not exclusively focus on R&I, but another explanation lies in R&I’s elusive character. Research and innovation is often not seen as a purpose or field in itself, but is instead used as an instrument for a foundation’s purposes (e.g., health, technology, public or social goals). As a consequence, the landscape of foundations sup-

porting R&I in Europe could be described as fragmented. The lack of a common research identity among these foundations is reflected not only in the lack of any infrastructure for R&I collaboration, but also in a lack of dialogue – even, sometimes, among foundations that work in similar areas, such as health.

There is some movement toward collaboration. The Research Forum of the European Foundation Center provides a platform for research-funding foundations to learn, work, and advocate together. Members can be found among Europe’s larger, well-established research foundations, including Germany’s Robert Bosch Stiftung und VolkswagenStiftung; La Caixa foundation in Spain; Sweden’s Stiftelsen Riksbankens Jubileumsfond; Fundação Calouste Gulbenkian in Portugal; Denmark’s Lundbeckfonden; the UK’s Wellcome Trust; the Foundation for Polish Science; Italy’s Fondazione Cariplo; and the King Baudouin Foundation in Belgium (European Foundation Center, 2016).

There are few estimates of the collective assets of European foundations. The foundations in the Eufori Study had total assets of at least \$163 billion in 2012 (n = 1,052); the Heidelberg Center for Social Investment reported in 2009 that the total assets of EU-27 foundations ranged from \$450 billion to \$3.9 trillion (Hopt, et al., 2009). While the Eufori Study can offer only a rough estimate, it nonetheless demonstrates the substantial economic weight of the R&I foundations assets in its sample.

FIGURE 5 R&I Expenditures by Country



Next Steps

The Eufori Study indicates that the potential of foundations to contribute to R&I is underestimated. With their assets and expenditures, foundations could be a significant stimulus for R&I programs and projects in Europe. The study therefore concludes with some recommendations for foundations, governments, and policymakers that might increase the impact of foundations' contributions.

- *Increase visibility and explore synergies through collaboration.* With visibility as a prerequisite to collaboration, foundations should aim to increase their research profile. The Eufori Study found a need for improved dialogue, information exchange, networking, and cooperation among foundations supporting R&I as well as among foundations, governments, business, and researchers. The opportunities for, mutual benefits and responsibilities of, and barriers to collaboration should be further explored, ideally through creation of national forums or networks of foundations that support R&I, and regular meetings between the foundations and other stakeholders, including EU and national governments, research institutes, and busi-

nesses. Growing visibility will also enhance the impact of existing funding.

- *Create financially resilient foundations.* The study found that the most financially vulnerable foundations are small, grantseeking organizations that are largely dependent on EU structural funds or government subsidies. To sustain themselves, these foundations should seek to diversify their income sources and build endowments, pursue opportunities to create and invest in social ventures, and explore the possibilities of a system of matching funds for foundation-supported research projects at the national and EU levels.
- *Improve legal and fiscal systems.* The regulation of foundations varies among the EU's member states, and some of the study's national reports indicate that fiscal and legal restrictions hamper the establishment and function of foundations supporting R&I. Improvement of these systems at the national level could remove these barriers; the EC can play a facilitating role by providing a platform to exchange information on best practices.

- *Change the culture.* Finally, a cultural change is necessary within universities, research institutes, and national governments to integrate philanthropy into the public domain. Philanthropy is not just a financial instrument for research and innovation, but is also an integral part of the resilience of societies. If philanthropy is integrated into the welfare state paradigm, it can live up to its potential and foster more giving in Europe.

Conclusion

The Eufori Study is a step forward in mapping the once largely unknown landscape of foundations that support research and innovation in Europe. The collection of data and the study's final report allowed a better understanding of the role foundations play, and could play, in advancing research across the European Union. The various actors in the domain of research – government, business, foundations, and researchers – each have a distinctive role. Together, they can make a positive difference in the potential for R&I in Europe.

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