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What makes an independent foundation proactive? The case of the Elisabeth Strouven Foundation, Maastricht¹

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Introduction

This paper discusses the impact of the introduction of the national social security act in the Netherlands on a foundation's birth. The Elisabeth Strouven Foundation (ESF), founded in 1963, originates from a 200 years old Poor Relief Fund (Burgerlijk Armbestuur) created and organised according to the French law. This means: a private foundation, politically controlled; governed by a board of qualified civilians, like judges, bankers, doctors and political representatives (aldermen). Financed by governmental subsidies, fundraising, legacies and the profits of assets, endowments and properties. The ESF developed as minor subdivision of the Poor Relief Fund; both governed by the same board of trustees. Fund and ESF are located in Maastricht, the Netherlands. This city was – and is – always strongly influenced by the French culture and nearness of the French speaking part of Belgium (Liege).

Changes of governmental policies have had direct effect on the different stages of the ESF's organizational development. How did this private institution operate in times of state expansion? The historic analysis of the last 50 years of the ESF (1965 -2015) will function as a case study. As a local case, the history of de Elisabeth Strouven Foundation shed light on the ongoing discussion with regard of the relationship between government and the philanthropy sector. Did the upcoming welfare state side-line foundations? After all, in the pre-welfare state period, poor relief, care for the elderly, education and health care were dominantly offered by private institutions (foundations and churches), which were partly funded by local authorities. Therefore, have foundations been incorporated in welfare-state regulations and policies? Or did they successfully defend on a specific way their autonomy? Last but not least, what about today? How do private foundations perform when welfare states retreat? These topics will be discussed via this case of ESF.

This paper tries to analyse and explain the road to independency that the ESF had to go. The central question in this paper is: how can the process of getting independency be described and explained? This, against the background of the unique Dutch system of private foundations governmentally funded. The paper also tries to shed light on the national and international discussion on independency of philanthropic foundations, like the ESF, and how to keep it.

¹ Thanks to Mr. A. Jenniskens, Mr. W. Mes and Mr. prof. J. Wachelder for their comments and advice at the underlying historical study.

Data for this research are obtained from private records from the *Elisabeth Strouven Archive*, public records from *National Archive*, analysis of national laws, public records of the local authority archive and audiotape recorded interviews from local historians and members of the institution.

A historical overview

In history, the needy, if they were not family embedded, had to survive by begging, vagrancy, and were also depending on the support of institutional arrangements like churches, religious organisations, monasteries and alms-houses or workhouses managed by local authorities. Foundations and private charities also belonged to these categories. However, they differed from the governmental and religious ones by being established by wealthy citizens or nobility (bourgeois).

At the end of the Middle Ages, foundations were closely connected to religion and religious 'authorities'. Two examples may clarify this. The Hôtel-Dieu (Hospice de Beaune) in Beaune, Burgundy, France was founded in 1443². "The 'Hundred years war' has been brought to a close. Massacres, however, continued with marauding bands still roaming the countryside, pillaging and destroying, provoking misery and famine. The majority of the people of Beaune were declared destitute. Nicolas Rolin, the Duke's Chancellor, and his wife Guigone de Salins, responded by building a hospital and refuge for the poor. Having gained permission from Pope Eugene IV in 1441, the hospice was built. In conjunction, Rolin established the "Les sœurs hospitalières de Beaune" religious order". The 'Hospice' still functions as "revolving fund" through the exploitation of vineyards (Domain du Moulin aux Moines) located towards Meursault.

A second example. After the Reformation, Protestants too practised stewardship by creating private charities. "When Barent Hellemann, a wealthy merchant in Amsterdam, The Netherlands, died on 18 October 1680 he left his entire fortune to the Deanery. The Deanery decided to devote the 90,000 guilders to a home for old women. Until then, elderly women generally had to rely on private institutions: expensive and inefficient. The city donated a plot of land and construction started. The home provided shelter for 400 women. To be eligible for a place a person had to be at least 50, a member of the church for no less than ten years and a resident of the city of 15 years' standing"³.

However, not in all cases religious reasons dominated. Aristocracy - in particular - got stimulated by legal regulations like the "charity law" of Elisabeth I of England in 1603, that offered fiscal benefits for whom supported poverty relief, religious goals and education. In those feudalist ruled countries, or regions the creation of foundations also allowed aristocrats to sustain their privileged position, to preserve their wealth, and to gain prestige. For the sake of the good causes. The endowments of bourgeois foundations usually consisted of real estate, properties, (farm) lands and the income out of self-collected taxes. Particularly succession regulations favoured aristocratic families to increase their wealth.

Exceptions, however, confirm overall generalisations. So, in 1778 Pieter Teyler founded 'Teylers Museum' in Haarlem, the Netherlands. The Museum "was originally founded as a center for contemporary art and science. Pieter Teyler was a wealthy cloth merchant and banker of Scottish descent, who bequeathed his fortune for the advancement of religion, art, and science. He was a

² Website: <https://en.wikipedia.org>

³ Website: www.hermitage.nl

Mennonite and follower of the Scottish Enlightenment”⁴. The Teylers museum is the first private funded museum in the world.

To sum up: institutional arrangements to help the needy encompass – since the middle ages: 1. Churches, monastic orders (monks and nuns), 2. Almshouses and workhouses supervised by local authorities, 3. Private foundations founded by aristocrats and wealthy citizens (“nouveau riche”).

Abolition of feudal society.

The French Revolution, 1789, and the reign of emperor Napoleon, signified the end of the ‘ancien regime’. It meant the end of feudalism, the leading role of the church and aristocratic heredity. From that time, societal ranks were – at least in law - abolished: free citizens and the state remained. Nobility and clergy, their properties, wealth, foundation endowments, charities, were being threatened with confiscation. In the Netherlands, the French occupation lasted from 1799 – 1815. In those years, French laws, like the civil law, administrative law and the criminal law, had been introduced. What happened, indeed, the endowments of congregations and monastic orders had been confiscated by the authorities. Their wealth being replaced as endowment in new created Poor Relief Boards (Burgerlijke Armenbesturen), governed and strictly controlled by local authorities.

Inquiry into the causes and nature of the wealth of congregations and monastic orders⁵

As already mentioned, wealth of monastic orders, congregations stemmed from gifts and legacies, including money but foremost properties and (farm)lands, offered by nuns and monks as heirs / inheritors of their family capital. This, as a result of a general Roman catholic religious rule that all monastics had, entering the monastery, to declare “the promise of poverty”. Good wealth management made – for that reason - religious congregations fortunate, generations after generations, supported by the current heritage laws. The accumulation of wealth in these religious institutions may be characterized as follows: their wealth was private, locally allocated and had grown by current heritage laws and good wealth management.

The founding of Elisabeth Strouven Foundation

The introduction of the National Social Security Act (ABW) in 1963 marks the creation of the distinctive ESF, separated from The Fund. Why? The new law proclaimed the state’s responsibility towards poor relief. Social assistance and social security became legal right for every Dutch citizen, 18 years of age. The new law commanded all local Poor Relief Funds to transfer their budgets to government.

Maastricht however, responded in a different way. As mentioned before, the wealth (endowment and properties) of the Maastricht Poor Relief Fund stemmed largely from private legacies and contributions of nuns/ brothers as entry gift to the religious congregations they joined (according to the promise of poverty that made congregations natural successors of their wills). The local Maastricht community didn’t allow those “bride gifts” to fade away. So, they decided to keep its ‘local societal budget’ to favour local goals by deferring the endowment and properties partly to the new established “private” ESF. This makes ESF an intriguing case: a local politically controlled private

⁴ Website: www.Teylersmuseum.nl

⁵ Free to Adam Smith

Poor Relief Fund, partly governmental financed, defers money and properties, by creating a new independent foundation. The local state (Maastricht) withstands national state law and obligations. How independent may such a new born foundation feel?

Substitution and goal displacement

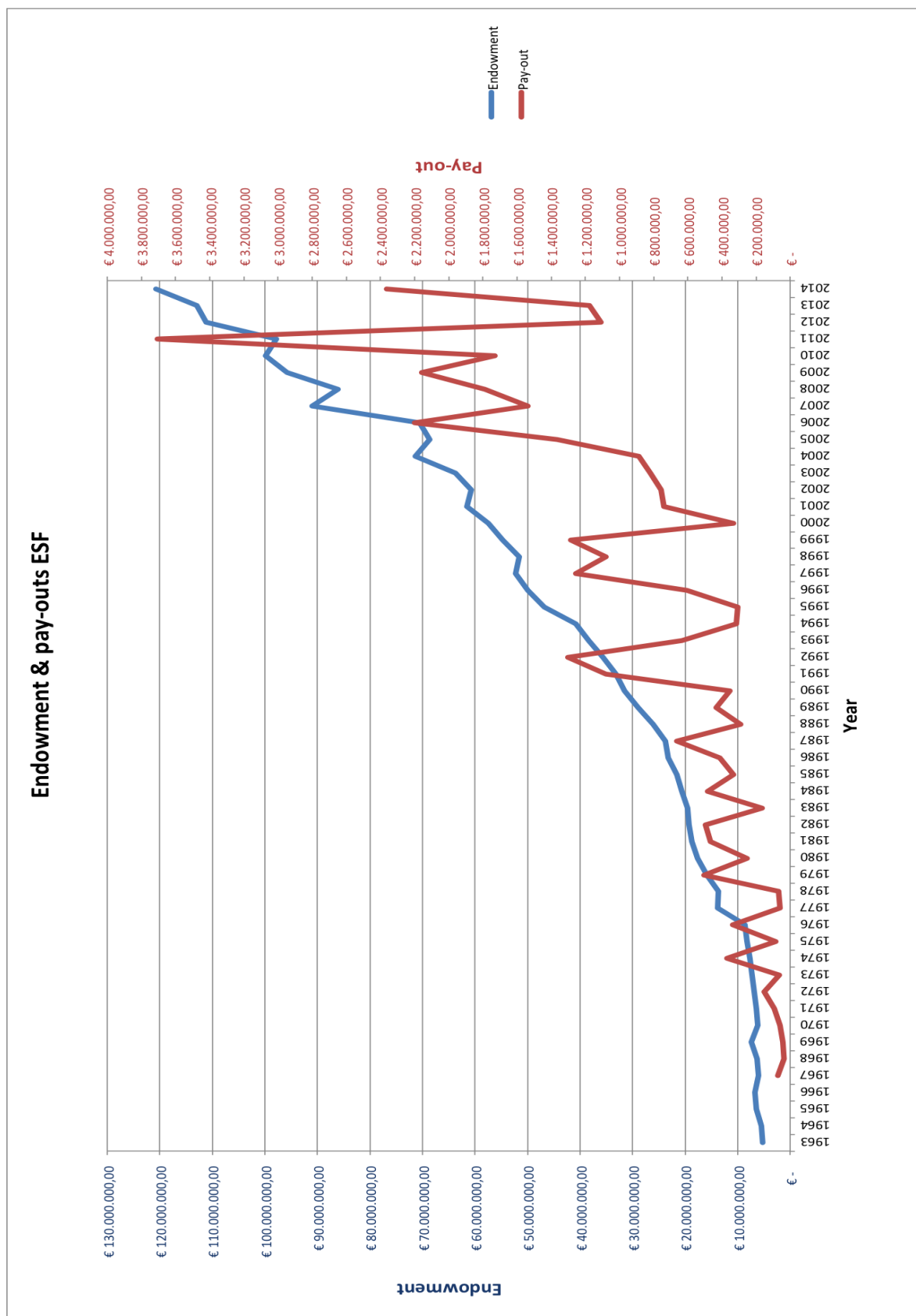
The National Security Act substituted private poor relief. Local governments, thenceforward, created local social services departments and appointed social security officials. How did the Poor Relief Fund – and their new born Baby ESF – in Maastricht react? The Poor Relief Fund limited their focus now exclusively to health care and shelter for the elderly. In later years, therefore, they changed name into “Vivre” and, another time, later in “Envida” to emphasize their mission. Elderly homes and elderly care still remained mostly “private” organized while governmentally funded and/or insurances based (national regulated). This should be the case till 2015.

This situation (private organised; public funded) is unique and typical Dutch: the Netherlands has the largest non-profit sector of the world, privately organised but governmentally funded)⁶

ESF, from their side, kept silent. They sponsored some social projects; most of them benefitted with small payments, while their endowment steadily grew.

⁶ Salamon, L. M., & Et-al (Eds.). (2004). *Global Civil Society: Dimensions of the Nonprofit Sector. Volume 2* (Vol. 2). Baltimore: Johns Hopkins University, p.19.

Figure 1 : Pay-outs 1965 – 2015 related to the ESF endowment:



Percentage pay-outs related to endowment ESF

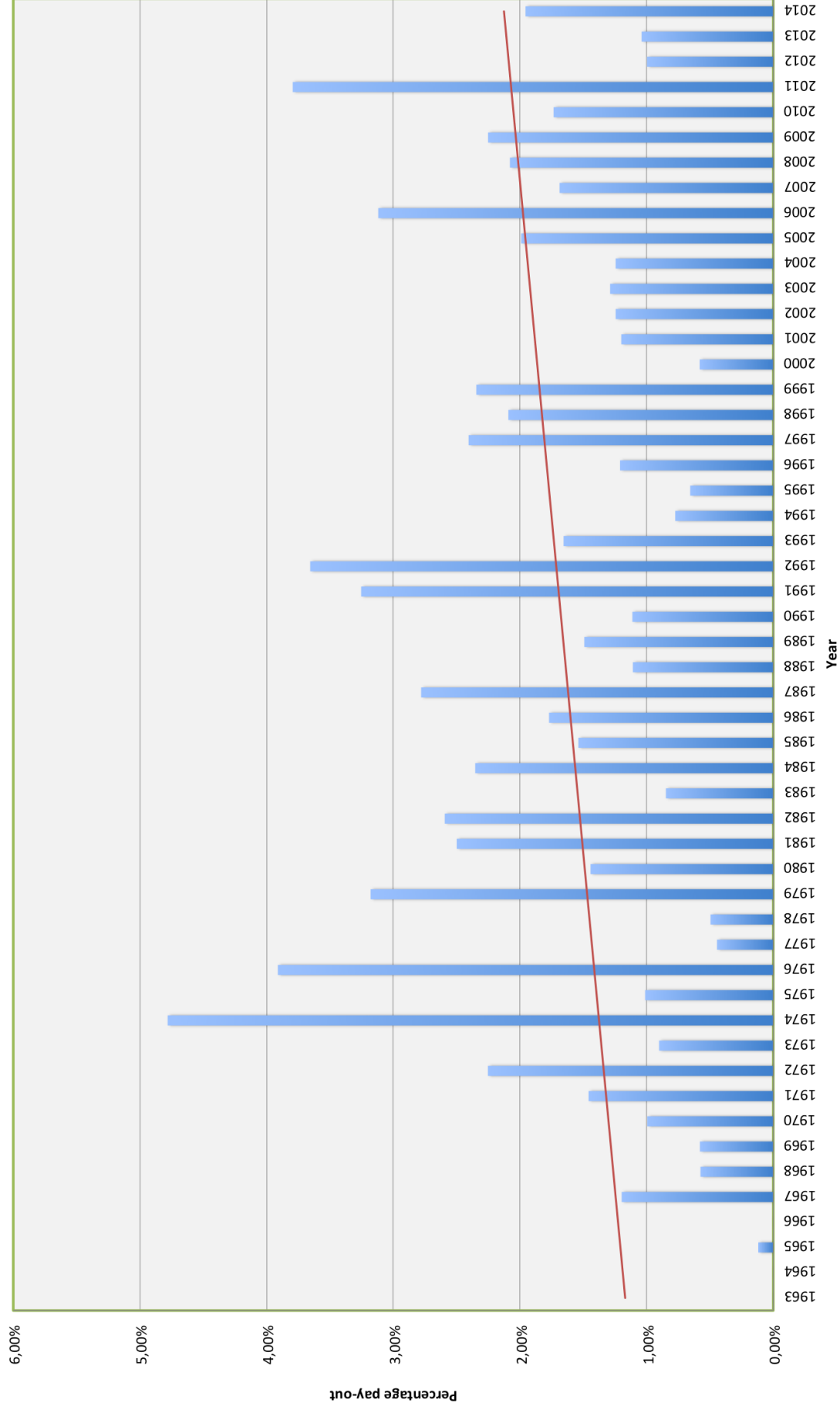


Figure 2: Benefitted goals

1963-1979		1980-1992	
Socially		Socially-culturally	
		<ul style="list-style-type: none"> - Health - Elderly - Youth - Community centres 	

1993-2004	2005-2007	2008-2013	2014 - ..
Social	General subsidy program:	General subsidy program:	General subsidy program:
<ul style="list-style-type: none"> - Elderly - Youth - Sport - Emancipation - Minorities - Volunteers 	<ul style="list-style-type: none"> - Socially - Culturally - Additionally (region & abroad) 	<ul style="list-style-type: none"> - Socially - Culturally - Additionally (region & abroad) 	<ul style="list-style-type: none"> - Socially - Culturally - Additionally (region & abroad)
Cultural	Thematic subsidy program:	Thematic subsidy program:	Thematic subsidy program:
<ul style="list-style-type: none"> - Traditions - Music - Theatre - Education - History 	<ul style="list-style-type: none"> - 3 years - 1 social project - 1 cultural project 	<ul style="list-style-type: none"> - 3 years - 1 social project - 1 cultural project 	<ul style="list-style-type: none"> - 3 years - 1 social project - 1 cultural project
Region & Abroad	Innovative housing program for elderly people	Innovative housing program for elderly people	Cultural heritage renovation fund
		Cultural heritage renovation fund	Pitch "Stadsgoud"
			"Pijlers"

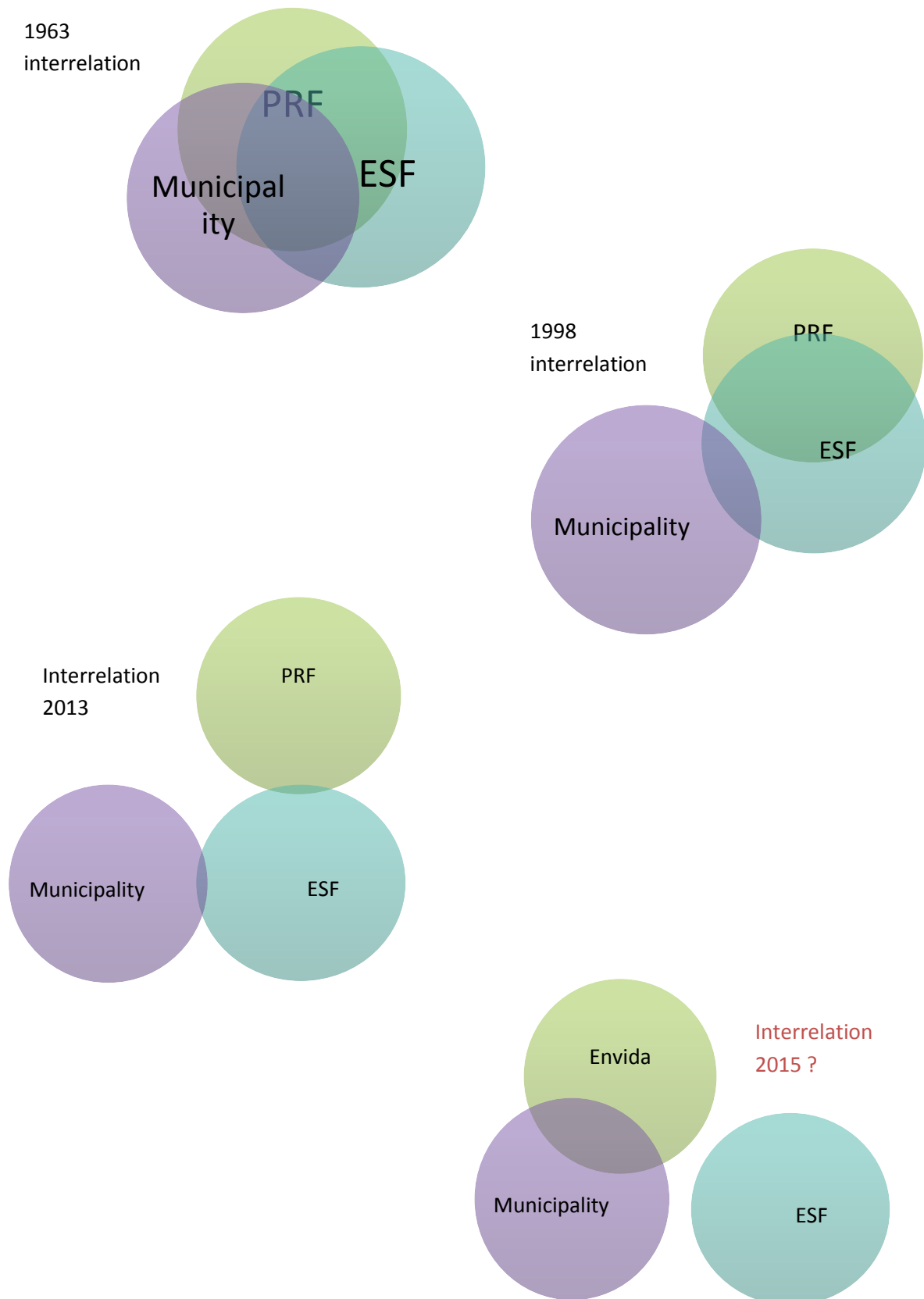
Internal organization of ESF

The Board of the Poor Relief Fund still governed ESF as an additional task and as a not-time consuming, but prestigious job. As proof should apply that the decision making of the allocation of gifts always happened at the very end of the Poor Relief Fund board meetings. And it took hardly any time. Nevertheless, the interconnectedness of both "Foundations" and the mixed composition of private civilians and political alderman, created sometimes tensions. Should the ESF gift budget be considered as "governmental, public spending" or did it represent private-based allocation? These interrelatedness within the board was accompanied by a "hidden performance" – behind the curtains, so to say, of the ESF.

Figure 3: Board memberships of the Poor Relief Fund – ESF 1965 – 2015

Poor Relief Fund		ESF
1963	General Management: Total 11 members: <ul style="list-style-type: none"> - 3 executive board of municipality Maastricht - 2 members of ESF (chosen also by executive board of municipality of Maastricht) - 1 Royal Dutch Medical Association - 5 GM (town council) Chairman and president chosen by town council Maastricht	General Management: Total 11 members: <ul style="list-style-type: none"> - 5 from Poor Relief Fund - 1 Provincial Executive of Limburg - 4 executive board of municipality of Maastricht - 1 Royal Dutch Medical Association Chairman and president chosen by town council Maastricht
70's and 80's	Little changes: <ul style="list-style-type: none"> - 3 Town council - 2 from management ESF - At least 3 other members 	Little changes: <ul style="list-style-type: none"> - 1985: 1 Chamber of commerce and industry Maastricht in stead of Provincial Executive of Limburg
1996-1998	Supervisory Board <ul style="list-style-type: none"> - 7 - 9 members (1996) - 1 Works council - 1 Client council Chairman chosen by members	General Management <ul style="list-style-type: none"> - 7 - 9 members (1998) - 2 auditors from Supervisory Board Poor Relief Fund Chairman of Supervisory board from Poor Relief Fund is president of ESF
2013	Supervisory Board: <ul style="list-style-type: none"> - 7 tot 9 members - 1 Works council - 1 Client council Chairman chosen by members Managing board:	Supervisory Board: <ul style="list-style-type: none"> - At least 5 members <i>chosen</i> from Supervisory Board of Poor Relief Fund - Max 2 from Supervisory Board of Poor Relief Fund <i>overlap with both funds</i> Managing board: President chosen by Supervisory board ESF (NOT chosen by Poor Relief Fund!)

Figure 4: interrelation Poor Relief Fund – the municipality - ESF



Getting independency

Since 2004, however, the Poor Relief Fund – in the meantime retitled to “Vivre” launched a new ESF strategy for professionalization. A new, fresh executive director was appointed; academic support was invoked to evaluate ESF’s performance and gift-policy; ESF became member of the National Association of Endowed foundations, etc. This process was irreversible. ESF realized that a large and still growing endowment at one hand, and a reserved, uncommunicative performance at the other, could threaten its legitimacy, its “licence to operate”.

From 2014 ESF decided to open its doors and to transform from a re-active “gift giver foundation” into a pro-active, collaborative one. Besides this, history repeats itself. In 2015, a new National Care Act has been released, contenting a double shift in the care-system. Firstly the financial responsibility changed from national to local government and secondly they changed from private to public. So, today the former Poor Relief Fund (renamed Envida) has directly to deal with local government. The sub-governed ESF came into an awkward position and the general board decided to make ESF fully independent.

Concluding remarks

The history of ESF shows how a foundation slowly and successfully gained a position as independent entity, despite a more and more dominating governmental policy in the fields of social security and care. The small payouts and reactive gift policy of the foundation (relative to its large and growing endowment), caused problems of legitimacy. That may be one reason. But foremost, the increasing governmental dominancy in the fields of social security and care has given the decisive “push” to make ESF a real private foundation.

If we analyze this development we may conclude that internal as well external influences can be found to explain what happened. To describe and analyze the history of the Foundation Strouven Elisabeth we have chosen a configuration approach. This means that the interplay of all kinds of actors involved – internal and external – have created a certain balance that manifests itself in the ESF organization, but that is temporary. This approach avoids thinking in terms of cause and effect; no actor is “the cause”; however, a certain dominant actor may play a decisive role in a certain period.

For the local government of Maastricht, the real independence of ESF, causes some feelings of resentment as well. “It is public money – and much! - intended for public goals, where we, the municipality, stands for!!.. Why private? Now it is out of our reach”. How to cope with this new situation?

With a view on the future

The opportunities presented by the availability of private wealthy foundations ‘outside’ the government are raising tough challenges for governments, foundations and the philanthropic sector at large. The two sides will have to find ways to come together and strengthen each other in serving the public good; they will have to resolve the ‘state or market’ and the ‘welfare state or philanthropy’ dichotomy and move towards a civil society without detracting from the important achievements of the welfare state; they will have to incorporate philanthropy in an egalitarian welfare state paradigm; and they will have to address the problem of arbitrariness in philanthropic efforts.

Contracts between government and philanthropic organizations will be helpful. Both parties promise to be open towards each other in the pursuit of public goals and to accept each other’s independence on the basis of mutual respect and honesty. In a contract government assures the foundations (the philanthropy sector) that it will not ‘substitute’: in other words, it will not respond with budget cuts if philanthropic contributions are made to certain goals. ‘Substitution’ was – and is – experienced as the main obstacle to cooperation in the philanthropy sector.

A contract provides the government with an opportunity to attack exceptional forms of arbitrariness. The exchange of information and the subsequent negotiations will pave the way for a deal that favours the public good: “We can afford this, if you do that”. If this deal fails to stop arbitrariness, the government can still use its legal power to declare that the philanthropic contribution “does not serve the public good” and withdraw fiscal benefits.

Contractual agreements – besides delivering benefits for both parties – help to avoid over-regulation and bureaucracy. Contracts bring new dynamics to relationships and open doors to fresh ideas and innovation. Additionally, a contract is flexible, it is valid for a specific period, it evokes extra attention and energy, and above all, it offers legitimacy to the parties involved. Transparency and accountability are key elements in public contracts.