 Report of the Expert Group

**Driving Progress for Research and Innovation in Europe**

The potential of R&I foundations

# **INTRODUCTION**

Since the 1990s the number of foundations in the EU fostering Research and Innovation (R&I) has grown exponentially. The EUFORI-Study on European Foundations for Research and Innovation signalled a strong and vibrant EU foundation community supporting R&I.[[1]](#footnote-1) Figures show at minimum approximately €5 billion aggregate research funding is provided annually by R&I foundations, that also possess estimated aggregate assets of at least €127 billion.

It is of great significance that the European Commission (EC), particularly the Directorate-General for Research and Innovation (DG RTD), has taken serious notice of the magnitude of this research commitment of the European foundation community.

The EC is committed to exploring different options within the research Framework Programme 9 (FP9) and post-Horizon 2020 programme for increasing the involvement of R&I foundations in the European Union (EU). The few existing opportunities to involve foundations in partnerships have required tailor-made solutions which have been resource intensive and thus only feasible for the largest foundations. Until now EC models of grant-making were mainly focused on public-private business partnerships. By including a focus on foundations and philanthropic actors, the Expert Group on “Foundations, Venture Philanthropy and Social Investments” hopes and expects to see this dual model opened up and enlarged in the development of FP9 and post-Horizon 2020 programmes. Foundations, however, bring much more than financial resources. They are rooted in society, and derive their legitimacy from the many contacts with the ‘capillaries’ in society that enable them to function as eyes and ears for research and innovation[[2]](#footnote-2). They possess extensive knowledge and expertise, and many are locally-based, a direct part of democracy and civic involvement. Inviting foundations and philanthropic institutions to join and share EC research policy signifies also the change towards ‘Open Science’, ‘Open Access’ and towards ‘Science with and for Society’ (SwafS)[[3]](#footnote-3).

In contrast to the FP7 and H2020 models for research applications, the Expert Group recommends decentralization and philanthropic eligibility in the forthcoming programmes. Decentralization of research policy and decision-making from the EC to national and regional platforms could enhance the rootedness, embeddedness and legitimacy of research grants (and of the EC at large). Philanthropic eligibility should be promoted by allowing R&I foundations to become stakeholders in the decision-making and funding process, recognizing the potential of civic commitment to the European knowledge economy.

This Expert Group was appointed to help pave this new way. The Expert Group was encouraged even to formulate ‘disruptive’ ideas and recommendations. It was mandated not to limit its focus to FP9 and Horizon 2020 but to widen its scope to encompass specific framework conditions that can only be addressed at the level of member states.

The same open approach applied to the stakeholders to whom recommendations were to be addressed, and the final range included governments, foundations and their infrastructure and umbrella bodies, research institutes and businesses. In line with this, the Expert Group consisted of representatives from foundations, business and academia, in close contact with DG RTD officials and foundation and venture philanthropy umbrella organisations. The Expert Group was charged to formulate a set of policy recommendations under three main topic headings:

1. Identify the **framework conditions** that could unleash the potential of R&I Foundations and Venture Philanthropists supporting national and Pan-European R&I activities. The group should describe and prioritise the untapped opportunities and challenges that the different framework conditions, such as tax incentives, could present to R&I foundations.
2. Analyse the **policy actions and innovative financial tools** available to governments and other stakeholders to leverage support, especially from R&I foundations, to get R&I ventures established on the market.
3. Explore **collaborative approaches** between R&I foundations, governments and other stakeholders that could foster R&I activities. The group should analyse modes of collaboration, and describe how they added value to partners and could be replicated.

For this report, the Expert Group has chosen to adopt a functional definition of foundations as part of institutional philanthropy, based on *European Foundation Centre* (EFC) and academic sources[[4]](#footnote-4):

*Foundations are philanthropic purpose-driven*[[5]](#footnote-5)*, separately constituted non-profit organisations. They have no members or shareholders. They have their own established and reliable source of income, usually but not exclusively from an endowment. They are private, self-governing, non-profit- distributing, serving a public purpose.*

##### **Framework conditions**

One of the first obstacles that the Expert Group had to tackle was - and is - the diversity in national legal regulations regarding foundations. There is no common legal definition of a foundation within the EU member states, nor are there common regulations with regard to the way foundations are allowed to operate or use their capital. In some countries, foundations invest in R&I by using their endowment and/or carrying out commercial activities; in others grant-making is the only legally accepted form. Therefore, the European Commission and the member states are encouraged to create an enabling legal environment for foundations.

As an important framework condition the Expert Group recommends the formulation of a common definition of what a European foundation is and stands for, in order to make it easier for foundations to partake in FP9. For the time being – regulatory change will take time - the status of legitimized public benefit foundation by national law in the member state of founding should be sufficient to be eligible. This is intended to ease and stimulate collaboration between foundations and the EC as well as create a level playing field with the private sector in entering partnerships and collaborating with EU funding.

##### **Innovative financial tools and policy actions**

In the second section, the Expert Group takes as its starting point the significant financing gap, or ‘valley of death’, which is holding back the progress of promising research and innovation. To cross the bridge from early-stage high-risk proof-of-concept phases, which cannot attract commercial investment, to the development of full social and market potential, research and innovation require access to a range of flexible funding options. Because of their independence and flexibility, R&I foundations have a unique opportunity to provide support for early-stage or experimental research and innovations which have great potential for social benefit but as yet uncertain outcomes. Foundations are well-placed to apply the innovative funding tools which have proved so successful in growing social enterprise to the growth of research and innovation. Through adopting innovative financial solutions such as grants blended with forms of debt and equity, high-engagement venture philanthropy or social investment (aimed at both social and financial return), foundations can enable innovations to prioritise social impact potential whilst also developing financial sustainability.

The Expert Group invites R&I foundations to learn new ways of achieving their mission, and to work with new partners. Governments are called on to take the lead in empowering and incentivising foundations and others to develop full spectrum funding and use innovative financial tools to help progress research and innovation, as the examples of the UK and Portugal show.

##### **Collaborative approaches**

In section three collaborative opportunities are presented and recommended for all actors involved. The EU foundation community comprises a small number of professionally-staffed and very large foundations; the majority however, consists of small, specialised and medium-sized institutions. Most smaller and specialised foundations use R&I as a means to address societal challenges. The smaller foundations in particular value their independence and autonomy and are often locally-based, rooted in and committed to their own communities. Incentives for achieving greater impact and efficiency, and for scaling-up the benefits of their funding, would be likely to heighten their motivation to collaborate with EC-funded projects or programmes, as well as with government or business.

If bringing different actors together is to lead to concrete actions, this has in many cases to be grounded in shared missions. Mission-driven alignments create opportunities for connecting different actors through new forms of partnerships.[[6]](#footnote-6) Potential alignments have to be made at different levels: alignment of the largest foundations at EC and or national levels and of the smaller and medium-sized foundations at national, regional or local levels.

The Expert Group recommends that foundations should be encouraged to play a role in initiating innovative R&I projects because of their independence and flexible private resources.

##### **Favourable conditions**

Europe has a long history of philanthropy and charity, stretching from ancient times through the Middle Ages to the 21st century. Today philanthropy, “private, voluntary action to serve the public good”[[7]](#footnote-7) has a central place on stage, in Europe and globally. A first (incomplete) feasibility study of Europe’s philanthropic contributions indicated that they amounted to an aggregate total of approximately €90 billion annually.[[8]](#footnote-8) In a favourable context of private wealth, of demographic trends around increased longevity and foremost of a cultural shift towards greater civic social responsibility, popularly called the ‘Do it Yourself’ trend, individuals are increasingly motivated to launch foundations. Since the 1990s the number of new family or corporately-founded, private and community foundations, and donor advised funds has been growing fast. They join the existing EU foundation community, some of which dates back to the 14th century. Over the next twenty years the largest inter-generational financial transfer in EU history is expected to take place. Europe is entering a potential “Golden Age of Philanthropy” that will occur in many EU member-states.[[9]](#footnote-9) The report of this Expert Group reflects and expresses this promising and hopeful future. There is a world to win, but if the EU – and the EU knowledge economy – is to profit fully from the opportunity, then its structures and cultures need to be adapted.

##### **A European social model?**

Europe harbours a strong civil society alongside government and market. A long history of philanthropic effort driven by religion and civic action has led to the creation of an institutionalized ‘social midfield’ of voluntary and philanthropic organisations which lie between the citizen and the state. It is important to be aware of the fact that “Philanthropy is a European invention”[[10]](#footnote-10).

The policy of the EC to open its research programmes to the European foundation community, signifies a step beyond the dual model of the state as either ‘government – or market’. By integrating philanthropy into the European welfare state model, a new ‘diversified social model’ will appear, echoing the slogan of the French Revolution: freedom (the market), equality (government) and fraternity (philanthropic commitment).

1. Gouwenberg, B.M. et al. (2015) *EUFORI Study. Synthesis report.* Brussels: European Commission, DG for Research and Innovation. Available at: [www.euforistudy.eu](http://www.euforistudy.eu) [↑](#footnote-ref-1)
2. Ibid. [↑](#footnote-ref-2)
3. See: <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/science-and-society> [↑](#footnote-ref-3)
4. Sources:

   Anheier, H., & Daly, S. (Eds.) (2007) *The Politics of Foundations: A Comparative Analysis,* London: Routledge.

   See: <http://www.efc.be/news/the-efc-launches-the-institutional-philanthropy-spectrum/>

   European Foundation Centre (2007) *Foundations’ legal and fiscal environments. Mapping the European Union of 27,* Brussels: European Foundation Centre. [↑](#footnote-ref-4)
5. To be distinguished from politically- driven and market-driven organisations. [↑](#footnote-ref-5)
6. See also the report: Mazzucato, M. (2018) [*Mission-Oriented Research & Innovation in the European Union - A problem-solving approach to fuel innovation-led growth*](https://ec.europa.eu/info/files/mission-oriented-research-and-innovation-european-union-m-mazzucato_en), Brussels: EC DG Research and Innovation. Available at: <https://publications.europa.eu/portal2012-portlet/html/downloadHandler.jsp?identifier=5b2811d1-16be-11e8-9253-01aa75ed71a1&format=pdf&language=en&productionSystem=cellar&part=> [↑](#footnote-ref-6)
7. Payton, R.L. (1988) *Voluntary Action for the Public Good.* New York: Macmillan.

   Schuyt, Th.N.M. (2013). *Philanthropy and the Philanthropy Sector. An Introduction,* Burlington, USA: Ashgate [↑](#footnote-ref-7)
8. Hoolwerf, L.K.. and Schuyt, Th. (Eds.) (2017) *Giving in Europe; The State of Research on Giving in 20 European Countries,* Amsterdam: Lenthe Publishers. Available at: [www.givingineurope.eu](http://www.givingineurope.eu) [↑](#footnote-ref-8)
9. Schuyt, Th.N.M. (2010) ‘Philanthropy in European welfare states; a challenging promise?’ In: *Review of Administrative Sciences*. 76 (4) 774-789. [↑](#footnote-ref-9)
10. Adam, T. (Ed.) (2004) *Philanthropy, Patronage and Civil Society. Experiences from Germany, Great Britain and North America,* Bloomington: Indiana Press., p.5. [↑](#footnote-ref-10)