

Engaging Philanthropy for University Research

Report by an Expert Group on

**Fundraising by universities from philanthropic sources:
Developing partnerships between universities and private donors**

December 2007

“Fundraising is the noble art of teaching people the pleasure of giving”

***“People do not give to people.
They give to people with causes.”
“They give to people who ask on behalf of causes.”***

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Preface

This report has been produced by an expert group set up by the Directorate General Research of the European Commission (EC) in order to identify and review good practices in fundraising for research by universities from philanthropic sources (foundations, trusts, charities, individuals, alumni) in Europe and abroad, develop models and recommend actions to be undertaken by key actors involved.¹

The aim of this work is to provide stakeholders with a helpful and relevant reference to improve fundraising from philanthropic sources. The report contains a number of recommendations aimed at universities, the philanthropic sector (individuals, corporations, foundations and alumni) and the European Commission, together with a call for action to raise the level of philanthropic giving for research within Europe.

The expert group builds on the work of a previous group of experts which was set up in 2005 and delivered the report “Giving more for research in Europe: The role of foundations and the non-profit sector in boosting R&D investment”². It takes into account the broad context of the modernisation of the European universities³ and the reform of funding of the European Educational Systems⁴ that is underway. It is set in the context of the overall implementation of the European Commission’s Research Investment Action Plan⁵.

The group consisted of selected experts and stakeholder representatives in the field drawn from universities and foundations. In order to achieve the task set out in its Terms of Reference, the expert group reviewed and assessed good practices and barriers to fundraising from philanthropic sources in a national and international context. In addition to the work undertaken by the members of the expert group, it was assisted by presentations from outside experts drawn from universities, foundations, research bodies, the business sector and public authorities, as well as by the elaboration of a questionnaire and by interviews of stakeholders in universities, philanthropic organisations, fundraising professionals, and corporations.

The current report is the result of the deliberations of the group.

¹ “Terms of Reference for an Expert Group on fundraising by universities from philanthropic sources: Developing partnerships between universities and private donors”, European Commission, Directorate General for Research, December 2006.

² “Giving more for research in Europe: The role of foundations and the non-profit sector in boosting R&D investment”. European Commission, Directorate General for Research. September 2005. See: http://ec.europa.eu/invest-in-research/pdf/download_en/rec_5_7800_giving_4_051018_bat.pdf

³ “Delivering on the modernisation agenda for universities: Education, Research and Innovation”, COM(2006) 208 of 10 May 2006. See: http://ec.europa.eu/education/policies/2010/doc/comuniv2006_en.pdf

⁴ “Efficiency and Equity in EU Educational and Training Systems”, COM(2006)481 of 8 September 2006. See: http://ec.europa.eu/education/policies/2010/doc/comm481_en.pdf

⁵ European Commission, Investing in Research: An Action Plan for Europe, COM(2003)226.

Executive summary

Putting philanthropy to work for university research in Europe

This report is a call to arms. Its aim is to help release the untapped potential of philanthropy for research funding in universities. Its main audience is people in universities: the university leadership, faculty, and fundraising units who are actually involved in fundraising activities or are considering the potential of philanthropy for funding university research. It is also addressed to people in government, whose policies influence the propensity and potential impact of philanthropic funding. It is however also addressed to philanthropists, highlighting how they can make a difference in supporting excellence in research in European universities.

The report's starting point is a point of urgency. Europe is falling behind in world-class research and to reverse this trend urgent action is needed. The EU has recognised this and has put together an ambitious strategy, setting specific objectives and putting in place policies to create a European Research Area (ERA). This involves creating world-class research infrastructures and research institutions, effective knowledge sharing, jointly-established research priorities and jointly-implemented programmes, an adequate flow of mobile researchers, and an opening of the ERA to the world.

Most of these developments require funding, and in addition to funding from the government and from the private sector, philanthropy or 'giving' is a potentially important source, but it is not nearly as well developed in Europe as elsewhere, particularly in the US. This lower giving in Europe is clearly related to the European institutional context, with its high taxes and its tradition of public spending for education and research. In addition it is often said that whereas there is a culture of giving in Europe, it is not generally so for education or research.

In Europe, an important proportion of research is done in universities. Hence philanthropy is particularly important in the context of funding university research. In the past, however, there has been resistance to the idea of raising funds from philanthropic sources, though nowadays a growing number of universities are rediscovering philanthropy, partly due to shrinking public budgets and partly due to an understanding that excellence requires a diversification of funding streams. A number of European universities have also been quite successful in their efforts to raise funds via this route.

At the same time, philanthropists are also discovering that they can make a difference in university research. There have already been significant gifts to education in many European countries, and the situation is rapidly evolving. Part of this evolution is connected to the wider context of the reform of university research systems.

University research in transition

Europe's universities are a central pillar in building the European Research Area through their responsibility for the supply of trained researchers and their core missions in fundamental and collaborative research. In performing these functions, Europe's universities play a crucial underpinning role in enhancing the economic competitiveness of Europe.⁶

European universities are however struggling as they try to respond both to a rapidly changing international environment and to tighter funding conditions by national public authorities. Globalisation, demographic change and the demands of the knowledge economy imply an increased demand for mass higher education and life-long learning, at the same time as putting a premium on high-quality research activities. In turn, this leads to increased competition for faculty, students and reputation.

Just as demands on the university system in terms of both quantity and quality are escalating, public funding of tertiary education in most countries is at best stable and at worst declining in real terms. This is forcing universities to respond in a number of ways: by attempting to differentiate their sources of funding, and by re-examining their mission and operations, in a search for new and expanding markets.

Public authorities are more focused on outputs and are increasingly giving universities greater responsibility for their own long-term financial sustainability, particularly in research. There is more recognition of the need to allow universities greater autonomy and accountability, so that they can respond quickly to change, as well as recognition of the need to provide incentives for partnerships with the private sector.

At the same time, both universities and public authorities increasingly understand the need to communicate and exploit the relevance of university activities, particularly those related to research, by having a greater engagement with industry and sharing knowledge with society, and by reinforcing the dialogue with all stakeholders.

The long-term financial sustainability of universities is thus one of the key challenges they have to face today, in particular when it comes to their research activities. It implies a diversification of their funding, notably by working within a framework of greater public-private partnerships. Public-private partnerships can help universities leverage private funds for research, enhance their quality of teaching and learning, and increase access to higher education, thus strengthening the core missions of universities.

It is in this context that the potential role of philanthropy in funding university research becomes important, not least because it can help the finances without compromising the predominant characteristic of education research to be for public good. Today the philanthropic sector funds a lower share of university-based research activities in Europe than in the US, with a few notable exceptions like the United Kingdom and Sweden. Philanthropy

⁶ European University Association (2007), "Viewpoint on the European Commission's "Green Paper" on "The European Research Area: New Perspectives", EUA

can however be a substantial source of funding for universities and needs to be developed as an integral part of a university's overall strategy for diversifying its funding.

Different fundraising models

There are a number of alternative ways for universities to relate to prospective donors, and these can be codified in four different 'models' of interaction. They are distinguished in terms of issues such as donor types, the university actors taking the lead in philanthropic fundraising, the degree to which specific donors are targeted, the extent to which donors specify the use of donations, and the formality of donors' procedures and the research specificity of the fundraising activities of universities.

At one end of the spectrum, the 'Alumni' model refers to the continuous collection of small donations from a large pool of university alumni and friends. The lead university actors are generally alumni relations offices or dedicated fundraising units. The use of donations is typically non-designated, the criteria for making donations are personal and dependent on the interests and wishes of each individual donor, and interactions with potential donors are structured but informal (e.g. mass mailings of standard letters, e-mails).

At the other end of the spectrum, the 'Major Gift' model focuses on the efforts made to attract donations from extremely wealthy individuals. This model represents the major gift fundraising approach of most universities and accounts for the majority of donations. It is characterised by the commitment of the university leadership to the process and the development of personal relations with wealthy individuals. The donations targeted are generally larger than those targeted by the other models and their use tends to be highly specified by donors, though still in line with the overall strategy of the university.

The 'Foundation Research' model resembles the ordinary, everyday activity of researchers seeking funds. Typically researchers apply for grants from research funding bodies. Many of these are public institutions, but frequently applications are also made to some of the larger and better-known foundations, whose funds stem from philanthropic sources. The lead university actors are thus individual researchers and professors, and application procedures are highly formal and structured, involving strict rules of procedure and highly specified selection criteria guaranteeing that the use of funds is in line with the foundation's aims.

Finally, the 'Multi-mode' model reflects a mode that involves a medley of both sources of funds and university actors, with many different options available for universities to choose from. It can involve university professors seeking funds for individual research projects from some of the smaller and less well-known research-funding foundations, but it can also involve approaches to these foundations and to corporations for philanthropic donations of a more general nature, and these are often made by university offices and even by university leaders.

All four models are usually present in institutions that have a tradition of philanthropic fundraising. It is not necessary, or perhaps even desirable, for universities attempting to raise funds from philanthropic sources for the first time to devote equal amounts of effort to all four

modes simultaneously, but it is advisable for universities to have a long-term vision that eventually accommodates all these models.

Best practices in fundraising: Getting started and getting help

Despite the differences highlighted in the four models of interaction, it is still possible to draw some general lessons on university fundraising methods and practices.

It is clear that getting started with fundraising is often the hardest job of all; it requires the devotion of considerable time and resources before results are visible. Many universities have no experience in the area, and fundraising pioneers often have to overcome internal resistance, sometimes at the highest level of leadership in an institution. A minimum period of 2-3 years seems to be required, together with appropriate financial and human support, for a fundraising unit to operate properly. Comparing notes with others in a similar position – for instance through the good offices of CASE (Council for Advancement and Support of Education) – builds up skills and confidence and helps prevent institutions from ‘reinventing the wheel’.

Early investment in time and resources needs to be coupled with an ‘investment in excellence’. In other words, universities have to work to establish those characteristics that will become ‘selling points’ from the vantage point of potential donors. The key is for universities to demonstrate what it is that sets them apart (outstanding leadership; passionate and experienced faculty; talented and motivated students; relevant programmes; a healthy financial footing; proud and loyal alumni and friends); and then provide a vision that builds upon these strengths. This, in essence, is the university’s modern challenge: to understand and know how to communicate the university’s role in a post-industrial society. Without this, no university has the credibility to become a point of reference or to attract funds.

Engaging the university leadership and involving all university people in fundraising is critical. Academic leaders need to take ownership and responsibility for philanthropy on their individual campuses. They are the ones that will create a compelling vision; manage the academic priority-setting process; articulate and interpret the case for support; identify prospects; facilitate faculty development partnerships; maintain and advance relationships; do the asking; recognise and thank donors.

Success in moving past embryonic fundraising programmes for educational and research purposes is fundamentally about changing the culture on individual campuses concerning the need for educational and research philanthropy. You cannot change the attitudes of current students or alumni unless there is a corresponding attitudinal change amongst academic leaders, faculty and staff. The hallmark qualities of successful fundraising programmes begin with an institutional commitment to financing development initiatives. Long-term success lies in a real partnership between a permanent professional development team working in concert with the academic leadership and the entire university community.

In this context, external help is important. In addition to the network of colleagues provided through CASE, fundraising consultants can help universities apply a strategy, put in place a

process for ‘asking’, as well as fundraising structures and ensure that they are operational. This involves discovering potential strategic funders (companies, people, foundations), researching them, making the case for funding, asking for funds, managing the relationship etc. They can help at the beginning of the process of fundraising by doing market testing and looking at internal university structures. They can help in the middle of the process by conducting or outsourcing research to identify donors and by helping to train university staff; and they can help at the end by reviewing the whole process.

Putting the right structures in place

Fundraising cannot however be completely outsourced. Ultimately, universities need to ‘skill up’ internally and create their own professional fundraising teams. It is hard, it is costly, it takes time, recruiting and retaining such staff is a huge challenge, but building internal teams with the right competences is the critical ingredient for long-term success. Investment is required also in the quality of the fundraising team, which has to be dedicated and highly competent.

The fundraising unit has to be able to collaborate closely with several of the university units. Its activities have to be coordinated with those of the corporate communications unit. In addition, the fundraising unit sometimes has to be incorporated with the alumni relations unit to encourage close collaboration and coordination. Particular effort to ensure collaboration is needed where the alumni association of the institution is located outside the body of the university.

The fundraising unit also has to prove its value and bring on board university researchers and professors. Access to the networks and personal contacts of the university leaders, professors and researchers is crucial in order to identify individuals with the potential to become major donors. University staff members also have to be brought on board and efforts made to help them understand the importance of fundraising and the anticipated outcomes of these efforts. Different faculties have to communicate and collaborate well with the fundraising unit as well as among themselves.

Putting in place a competent fundraising team is therefore critical for successful fundraising, as is giving them the right tools to do the job. In this respect experience has shown that it is vital to have only one system where relationship information is kept. Although most universities realise that a single relationship database is desirable, this has not been put into practice everywhere. It is clear that maintaining such a database, both technically and in terms of content, takes a lot of time, and that it is vital for alumni offices and university funds that the system is flexible enough to allow further development and expansion without restriction.

After the initial phase is complete, i.e. after the establishment of the required structures and the initiation of fundraising activities, the cost of fundraising is estimated to be around 20% of the funds raised (20 cents to the Euro). However, the investment is typically much higher during the initial phase, which can last around 3 years. It is important to have the capital necessary for the first 3 years in order to be able to continue the exercise even without the

generation of any additional funds. It is important to create the capital necessary for the first years in order to be able to continue the exercise after this period even without any additional funds.

Developing fundraising activities should in fact be approached as an investment in the institution itself and as a long-term commitment, one whose return is likely to be extremely positive. The fundraising structures have to work closely with all the university services and enjoy the commitment and support of the university leadership. In a certain sense, successful fundraising involves moving from a reliance on an 'enlightened leader' to the development of a fundraising structure, even all the way to creating a 'fundraising machine', as seen in the very large fundraising operations of the top US universities.

Getting university governance structures right

Autonomy and independence are two equally important factors in university governance. Autonomy implies having an independent governing body (executive authority and autonomy go together); having the ability to employ people at market rates; using available money as university management sees fit in the best interests of the university without regard to another authority; generating income and borrowing money; investing in money markets; creating chairs etc.

Attitudes of university people may sometimes hinder links with businesses and philanthropic organisations. The independence of an institution from the state may not be enough. Universities have to broaden their societal constituencies and implement structural changes to link universities with businesses and social institutions. People and organisations outside universities should be invited to learn about the university and its achievements and make the necessary linkages. Non-academics should be allowed to join boards of higher education institutions. In short, the governance systems of institutions need to be modernised.

The autonomy of a university affects the up-take and success of fundraising efforts. Typically, institutions with a high degree of autonomy have more flexibility in spending their income on the development of fundraising activities and infrastructures. They can allow non-academics to be included in boards and committees and may also wish to offer major donors such positions and thereby profoundly engage them in the institution. They enjoy greater degrees of freedom to attract first class researchers and professors via competitive offers, since they are often not constrained by fixed public salary scales. This contributes to enhancing their reputation in the long run, which in turn can help attract more donations.

Less autonomous institutions are often not allowed to create and/or own an endowment. To overcome this obstacle, such an institution may create its own university foundation to complement its fundraising strategy. This makes funding more effective, improves long-term financial sustainability and reinforces the dialogue of universities with all other stakeholders. To be effective, dedicated university foundations must satisfy certain criteria: they must be private in nature; have assets; their governance structures must allow co-decision by funders; and the process of decision-making must be transparent.

The logical next step from the creation of a university foundation is turning a university itself into a foundation. The legal construction of a foundation university is one where the foundation holds all the assets of the university (movable and immovable), but the university as a corporation exists next to the foundation. The main argument in favour of such a solution is yet again a gain in financial autonomy from the state; absence of government influence concerning human resources, property, academic and student issues. The overriding principles are self-government and responsibility or accountability.

It is recommended that universities start foundations to complement their fundraising strategies. Universities should also be given the right to operate as private and independent foundations, because this means a gain in autonomy from the state and improved possibilities for the integration of external partners and funders; but at the same time the legitimate interests of academic staff, students and also the state must be protected by a regulatory framework.

Government policies to help fundraising for research

Fundraising activities are also affected by more general characteristics of the wider environment such as the prevailing economic conditions and tax systems in a country. The large differences in tax systems and in the fiscal and legal treatment of foundations across countries, coupled with the unequal treatment between national and cross-border philanthropy limit the ability to exploit donations from abroad. However, certain solutions are possible and initiatives exist that overcome the problems of cross-border philanthropy.

In the same vein, the existence of public measures supporting fundraising is considered important. Matched-funding schemes or those related to acknowledging and rewarding the areas of excellence of an institution seem to act positively on overall fundraising efforts in universities. There are a number of successful examples in both European and non-European countries whose particular features require careful study.

The challenge is both cultural and structural. We have to educate university leaders to create a ‘culture of asking’ and educate prospects to create a ‘culture of giving’. We have to create a healthy competitive fundraising environment. What we need from government is not only tax breaks to donors but also, and maybe even more importantly, the freedom to universities to set their strategies, to recruit the best talents, to design the best programmes and to compete against their counterparts worldwide.

Cultural stances on philanthropic giving vary from one country to another, though there is a shared belief that these differences are diminishing and changing in favour of giving. It is still important, however, to develop a greater understanding of the cultural attributes and personal attitudes and motives that shape decisions to ‘give’, and this process takes time. The way of ‘asking’ also has to fit in with cultural specificities and the values of the countries and areas in question, and more research is needed to understand why research is still not a top priority in

philanthropic giving. A tradition of giving to university research has to be nurtured if the individual efforts of universities to raise funds from philanthropic sources are to be rewarded.

Recommendations to all actors involved

The recommendations of the expert group relate to three broad issues in university fundraising for research.

The first is getting the fundraising fundamentals right: improving the characteristics of a successful fundraising campaign, identifying the steps to be taken by universities, the strategies to pursue, the structures that need to be put in place.

The second is getting the university environment right: overcoming institutional constraints that hinder fundraising activities, improving university governance, creating instruments such as University foundations that can help in this regard.

And the third is getting the external environment right: improving public policies to raise funds for research from philanthropic sources, including fiscal incentives and matching fund schemes, as well as actions to increase awareness and the interest of society in fundraising.

Getting the fundraising fundamentals right

Recommendation #1: Universities should include fundraising from philanthropy as part of their overall strategy

Aspiring to excellence in research requires fundraising from philanthropic sources to be included as part of a university's overall strategy. This is because in order to be successful fundraising requires demonstrating promise and opportunity and providing a vision to which potential donors want to contribute. Any such vision that involves building on strengths has to be accompanied by a fundraising strategy which addresses important issues such as the focus of the fundraising efforts; the target donors; the sequencing of activities; the structures to be put in place; the use of external help *versus* the development of internal resources; and the way the funds collected will be distributed and used.

Recommendation #2: Build up internal fundraising competences within universities

While using outside professionals to assist in achieving fundraising goals is often necessary, successful fundraising cannot be outsourced. Ultimately, universities need to build up their own fundraising competences by creating their own professional fundraising teams. This will require strategies to recruit, train and retain capable fundraising staff that are sympathetic to the value of university research. The fundraising practitioners or structures need to enjoy the full support and commitment of the university leadership. They also have to be able to collaborate closely with several of the university units and bring on board the university researchers and professors, creating the right 'spirit' as well as the right 'structures'.

Recommendation #3: Review the qualifications required of university leadership to include fundraising skills and make fundraising one of their core responsibilities

The commitment of the university leadership to fundraising is critical to its success. It is important to give university leaders a clear fundraising role, as well as to appoint development professionals at the most senior levels. It is recommended that fundraising skills are taken into account by search committees for Deans/Presidents/Vice-Chancellors/Rectors or used as criteria in elections for university leaders (depending on the system used). Once in office, these leaders can take active steps to strengthen their understanding and skills in this area. It is furthermore suggested that the roles of university leaders, governing bodies and senior academics be reviewed to give greater prominence to the development function. In addition, universities should contemplate the greater involvement of potential and actual donors in their governance structures as a way of recognising their efforts and supporting future fundraising efforts.

Getting the university environment right

Recommendation #4: Review management and accounting practices at universities

Donors increasingly look for careful strategic planning, sound financial management, details of the project(s) to be funded, and tangible benefits for the organisation, the community and the donor. These are also issues that universities need to address as they become more open and accountable; as they become more autonomous and entrepreneurial; and as their funding streams diversify.

It is therefore recommended that universities review management and accounting practices at universities with the aim of making them more transparent, adopting – amongst other things – full-cost accounting. In this context, they also need to address ethical issues relating to the provenance of philanthropic funds and develop a clear and transparent set of guidelines concerning donations. Acknowledging the value of alumni to the institution and the connection between the student experience and the attitudes of alumni are also of structural benefit.

Recommendation #5: Take advantage of increased university autonomy

Increasing university autonomy is key to successful fundraising and is therefore a major recommendation of this report. In addition to academic autonomy (concerning curricula, programmes, research etc.), this includes financial (lump-sum budgeting), organisational (structure of the university) and staffing (responsibility for recruitment, salaries and promotion) autonomy. Autonomy implies having an independent governing body (executive authority and autonomy go together) and the ability to employ people at market rates; use available money as university management sees fit; generate income and borrow money; invest in money markets; create chairs etc.

Recommendation #6: Explore possibilities for the creation of university foundations

In situations where the institutional setup of universities does not give them the autonomy and flexibility that fundraising requires, they should explore the possibility of creating their own foundations. This could allow them to generate funds to support research (projects and equipment) and attract resources from alumni or from their local environment. This recommendation is particularly important for public universities, though it is understood that it may require government initiatives to effect a change in legal status in order for it to be realised.

Getting the external environment right

Recommendation #7: Introduce a system of ‘matching funds’ by government for donations raised from private donors

This recommendation is aimed at increasing the leverage effect of philanthropy to university research efforts by matching it with funds from public (national or EU) sources. Under such schemes, which have been successfully applied in a number of countries, private donations over a certain limit trigger a matching donation from the government up to a certain percentage of the private gift. There are a number of issues that governments need to explore in this context. One is the question of whether such schemes should be used to reward excellence or as a mechanism for spreading money to all universities, or in order to build capacity for fundraising. Another is the exact ‘tailoring’ of the matching funds schemes (via the use of tiers, ratio, caps etc.) in order to ensure that public support catalyses philanthropic endeavours rather than substitutes for it.

Recommendation #8: Review fiscal rules to make them more inviting to university research fundraising

This recommendation’s aim is to create a fiscal environment in which fiscal rules are friendlier to university research fundraising and activities with a public benefit purpose are tax-exempt. This involves, amongst other things, actions leading to: clear and user-friendly rules applying to the tax exemption of gifts; clearly defined tax relief schemes; simplified tax laws to encourage annual giving, so that higher rate taxpayers can simply deduct donations over a certain level from their gross income; a review of VAT rules to take into account the public benefit nature of university activities, exempting beneficiaries from tax on donations received from public benefit foundations across the EU up to a certain ceiling; the introduction of ‘planned giving’ vehicles which allow individual donors to transfer assets to universities whilst providing donors with a regular income and tax relief in their lifetime.

Recommendation #9: *Claim the ‘right of philanthropic transfer’ within the EU*

The aim of this recommendation is to establish a more ‘level-playing field’ which encourages cross-border giving within the EU. In a certain sense, what is required is a ‘European passport’ for all philanthropy recipients, in this case universities and foundations. A move towards the mutual recognition of ‘public benefit/qualifying organisations’, leading to tax benefits at the national level across the EU, would be an important step to facilitate cross-border giving. Such an approach and example can be found in the European Foundation Centre’s proposal for a European Foundation Statute. National developments could be supported by bilateral agreements. Very few treaties currently address the issue of cross-border giving, and few double tax treaties – which provide tax relief for gifts or legacies across borders – deal with inheritance and/or gift tax ‘charity friendly’ provisions. EU Member States should be encouraged to review these issues.

Recommendation # 10: *Promote a culture of giving and create a culture of asking*

This final recommendation is a call to arms. Aside from specific recommendations directed to universities, foundations, businesses and public authorities, what is truly needed is a culture change in Europe in favour of philanthropic fundraising for university research.

Practically this translates into a multitude of possible actions:

- systematically train university people in order to raise their awareness about the role fundraising can have in supporting university-based research and educate them in setting up fundraising programmes;
- publish more systematic and transparent reports monitoring and encouraging fundraising performance;
- launch national donation campaigns;
- establish national or EU-wide lotteries for research;
- survey attitudes towards voluntary giving to higher education and research and investigate factors that would motivate donations to the sector;
- ensure greater recognition and celebration of giving to higher education by institutions and national leaders;
- provide national reward schemes or public recognition schemes for donors;
- define national or EU labels for excellence for university fundraising;
- develop fora for institutional leaders and key supporters to compare good practice and to analyse their philanthropic achievements;
- launch campaigns to celebrate the importance of university research results for improving the life of EU citizens – in effect, reclaiming the honourable and ancient tradition of philanthropy for education in Europe and re-energising it for contemporary needs.

A road map for the report

This **first introductory chapter** sets the stage for the report by relating it to the broader EU policy objectives, in particular the Lisbon agenda and the European Research Area, as well as to the Bologna process and the changes underway in the European university system. It relates the current report to the findings of the report “Giving More to Research in Europe” of which it is a follow-up.

The **second chapter** provides an overview of recent university fundraising initiatives with the intent to identify and review critical elements of ‘best practice’, mainly in Europe but also in the US and Canada. It draws upon a number of sources: the experiences of the members of the Expert Group, presentations made by invited experts, a review of the literature, and in-depth interviews conducted for this report.

The **third chapter** focuses on four fundraising models identified during the course of the Expert Group’s work. These models describe different aspects of the interactions of universities with private donors for research. They cover a broad spectrum of practices in terms of fundraising strategies, tools and competences, donor management etc., and highlight ‘good ingredients’ for successful fundraising.

The **fourth chapter** continues the discussion on best practices but focuses on the external environment that may enhance the fundraising potential of institutions. It examines how fundraising is affected by the tax system as well as the role of public policies supporting efforts to raise funds for research from philanthropic sources, in particular fiscal incentives and matching fund schemes.

The **concluding chapter** identifies the roles and responsibilities of all actors involved in funding research in universities and outlines the Expert Group’s recommendations for releasing the untapped potential of philanthropy for funding university research. The recommendations are addressed to universities, philanthropic bodies, national governments, European institutions, as well as the general public.

In addition to its main body, the report also includes two **annex chapters** that provide useful background for the discussion of the main issues at hand by examining the changing university ‘landscape’ in Europe and abroad, in particular regarding university fundraising for research from philanthropic sources, as well as the diverse ‘landscape’ of foundations.

Chapter 1. Introduction

1.1. The general context: policies to boost research in Europe

The starting point for this report rests on an understanding coupled with an uncomfortable truth. The understanding is that in knowledge-based societies, research is increasingly becoming the basic determinant of growth and prosperity. And the truth is that Europe today seriously under-invests in research, with the latest available figures showing EU R&D expenditures at roughly 1.9% of GDP as opposed to 2.6% in the US and 3.2% in Japan. This gap corresponds to € 120 billion a year when comparing the EU with the US, 80% of which is explained by the difference in business spending in R&D.

At a policy level, the collective European response to this understanding has been to develop an ambitious strategy aimed at making Europe the most dynamic knowledge-based economy in the world by 2010. As an integral part of the strategy, it is recognised that much higher levels of investment in research in Europe are central to achieving this objective, setting specific objectives in this regard⁷, and putting in place policies to create a European Research Area (ERA)⁸.

Turning the European Research Area from a simple idea into a cornerstone for a European knowledge society in which education, training and innovation are all mobilised to fulfil the EU's economic, social and environmental ambitions and the expectations of its citizens is not an easy task. It involves, *inter alia*, world-class research infrastructures, an adequate flow of researchers, research excellence, effective knowledge sharing, well-coordinated research programmes and priorities, and an opening of the ERA to the world.

Most of these developments require funding, and it is therefore no surprise that the current under-investment in R&D in Europe is a central concern of the revised Lisbon Strategy. This underinvestment results from a range of deficiencies that were set out in the 2003 "Research Investment Action Plan"⁹ and which were revisited in the 2005 communication "More research and innovation"¹⁰.

Tackling underinvestment in R&D requires the mobilisation of all policies and factors that can act directly and indirectly on both the supply and demand side. On the supply side, in addition to funding from the government and from the private sector, philanthropy or 'giving' is a potentially important source of research funding, but it is not nearly as well developed in Europe as elsewhere, particularly in the US.

⁷ Addressing this situation in 2002, the Barcelona European Council concluded that overall spending on R&D in the EU should be increased with the aim of approaching 3 % of GDP by 2010. Two-thirds of this investment should come from the private sector.

⁸ European Commission, Towards a European Research Area, COM(2000) 6.

⁹ COM(2003)226. See: http://ec.europa.eu/invest-in-research/pdf/download_en/investing_en.pdf

¹⁰ COM(2005)488. See: http://ec.europa.eu/invest-in-research/pdf/download_en/mep_en01bat3_051219.pdf

One immediate question is: why this difference? This lower giving in Europe is attributed to a range of reasons: “we don’t have the tradition, the wealth, the tax incentives, it’s the government’s business, we tried it and it did not work...”. It is clearly related to the European institutional context, with its high taxes and its tradition of public spending for education and research. In addition it is often said that whereas there is a culture of giving in Europe, it is not generally for education or research.

In contrast to the US, in Europe a greater proportion of research is done in universities. Hence philanthropy becomes particularly important in the context of funding university research. Yet, there seems to be two tiers and a duality in the European university system concerning attitudes to fundraising. While there are a number of universities successfully engaged in fundraising activities, there is also a resistance to fundraising on the part of many European universities. This can be traced to the nature of higher education institutions – state-owned, often large and undifferentiated by mission, with structural rigidities – in e.g. appointments, use of funds, or to the reluctance to change that is present in many old universities. In a certain sense, as the welfare state has developed, philanthropic obligations (to give back) have been eroded.

Universities are today rediscovering philanthropy, partly due to shrinking public budgets and partly due to an understanding that excellence requires a diversification of income streams. At the same time, philanthropists are also discovering that they can make a difference in university research. There have in fact been significant gifts to education in many European countries, and the situation is rapidly evolving. Part of this evolution is connected to more general changes to the university research system.

1.2. University research in transition

In the European research system, universities play a particularly important role. As was pointedly stated in the expert group report *Giving more for research in Europe: The role of foundations and the non-profit sector in boosting R&D investment*, “being simultaneously at the top of the education system and often at the base of the R&D process, universities perform the roles of leading actors and prime subjects of societal transformations simultaneously. Universities carry the possibility of multiplying the positive effects of knowledge-induced change and institutional innovation”.

European universities are currently undergoing far-reaching changes, with several initiatives underway aimed at modernising them and thereby increasing their contribution to the EU’s objective of becoming a leading knowledge-based economy. These changes are discussed at an EU level in the context of the ‘Bologna process’¹¹ and take a number of forms.

University funding systems are being reviewed in order to reduce the funding gap and make funding work more effectively in both education and research. Public authorities are more

¹¹ *Joint Declaration of the European Ministers of Education*, Bologna, 19 June 1999.

focused on outputs and giving universities responsibility for their own long-term financial sustainability, particularly in research. There is more recognition of the need to allow universities greater autonomy and accountability, so that they can respond quickly to change, as well as recognition of the need to provide incentives for partnerships with the private sector.

Finally, both universities and public authorities increasingly understand the need to communicate and exploit the relevance of university activities, particularly those related to research, by having a greater engagement with industry and sharing knowledge with society, and by reinforcing the dialogue with all stakeholders.

The long-term financial sustainability of universities is thus one of the challenges they have to face today, in particular when it comes to their research activities. It implies a diversification of their funding, notably by working within a framework of greater public-private partnerships. Public-private partnerships can help universities leverage private funds for research, enhance their quality of teaching and learning, and increase access to higher education, thus strengthening the core missions of higher education institutions.

It is in this context that it becomes important to examine the potential role of philanthropy in funding university research. Today the philanthropic sector funds a lower share of university-based research activities in Europe than in the US, with a few notable exceptions like the United Kingdom and Sweden. Philanthropy can, however, be a substantial source of funding for universities and needs to be developed as part of a university's overall strategy for diversifying funding.

1.3. The role of foundations in funding research: the report “*Giving More for Research in Europe*”

Until recently, relatively little attention had been paid by the EU institutions to the role played by the private non-profit sector and more particularly by foundations that fund research activities in boosting Europe's overall level of investment in R&D. In order to address this deficiency, DG Research set up in 2005 an expert group to identify and define possible measures and actions at national and European level to promote the role of philanthropy in boosting public and private investment in R&D.

The resulting report “*Giving more for research in Europe*” highlighted the unique role of foundations in modern society. They are private entities serving public goals and their distinctive characteristics allow them to add value to European research activities and add a new dimension to research funding. Their role needs to be seen in a broader context of social and political change in Europe whereby in today's advanced civil society the state is no longer considered to be the only guardian of the public interest. This is why it is increasingly accepted that foundations have a role to play in supporting public benefit research.

In this context, the earlier report noted the potential importance of research foundations in generating income from their endowments or raising money from the general public and the

private sector in order to support research, as well as their qualitative impact on the direction, nature and quantity of research 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. Foundations' grant-making is mostly to universities, though often foundations fund only the direct costs of research.

The report revealed a highly diverse European landscape in this area, reflected in the heterogeneity of the organisation, governance, operating conditions and legal status of charitable entities. Philanthropic organisations funding research appear to be dominated by a handful of major players markedly concentrated in a few sectors, such as medical research. The relatively low level of philanthropic funding directed towards research contrasts with the much higher amount of funding directed to cultural and education initiatives.

This potential of philanthropy to fund research is therefore currently not being fully realised. There are obstacles and disincentives which inhibit giving by individuals and corporations, and which hinder the flow of more funds from foundations and the non-profit sector to research, or hamper more effective use of existing funds. Unleashing this potential calls for a mix of initiatives by foundations themselves, of national actions, and, where appropriate, of EC support and encouragement.

Realising this latent potential involves engaging all actors involved: national governments, EU institutions, foundations, industry, universities and other research institutes, and the public at large. It requires a clear commitment on a political level to move things forward. This is why the earlier report formulated a set of clear and practical recommendations and addressed them to the different stakeholders (see Box 1.1).

The recommendations take a number of forms. Some relate to increased giving to existing foundations and some to the creation of new foundations by individuals or by industry (aimed for example at specific research needs, at innovation etc.), including transnational bodies. They include recommendations relating to the legal, fiscal and institutional environment in which universities' fundraising activities and philanthropic funding for research might flourish, as well as to cultural and social factors which affect giving.

Other recommendations are aimed at increased effectiveness of funding by foundations, by addressing issues such as improved management of funds within existing foundations, improved governance and transparency of foundations, the strengthening of public-private partnerships in the field of R&D, and of pan-European collaborations between foundations investing in R&D.

The findings of the expert group were discussed at the first-ever conference of its kind in March 2006¹², which was attended by more than 200 participants. During the conference, the need for a 'European Forum on Philanthropy and Research Funding' was strongly endorsed by the stakeholders as a platform to share experience in the area of philanthropy and research funding, reviewing best practices, and improving synergies and cooperation.

¹² See: http://ec.europa.eu/invest-in-research/policy/philanthropy_en.htm

In addition, it was agreed that such a forum would need to define priorities and action plans on a number of important issues for research foundations, thus contributing to the design of a European Agenda on Philanthropy and Research. As a result, the key stakeholders will set up the forum in December 2007 under the leadership of the European Foundation Centre.

Box 1.1. Main recommendations of the report
"Giving More for Research in Europe"

- **Improve visibility and information about research foundations**, by improving information available on the role and importance of foundations in different EU countries and in the EU as a whole; fostering the creation of a 'European Forum of Research foundations'; and encouraging giving to research through national and international donation campaigns.
- **Create a more beneficial fiscal and regulatory environment for foundations**, by ensuring that donations and charitable giving by individuals and corporations benefit from more generous tax credits or deductions; reviewing the tax treatment of foundations' activities with a view to making tax benefit schemes broader, clearer, and more user-friendly; appraising foundation status and tax exemption according to public benefit action; simplifying and improving the legal and regulatory environment for foundations.
- **Improve mechanisms for leveraging funds for research**, by introducing a system of 'matching funds' for foundation-supported research projects at both national and EU level; fostering the development of new research foundations by encouraging 'philanthropic venture capital'; encourage the creation of 'sector- or issue-specific' foundations by the corporate sector.
- **Promote more effective funding arrangements and mechanisms**, by promoting good governance, transparency and accountability practices of foundations; improving networking and cooperation between foundations at national and European level; exploring possibilities for the creation of university foundations; making Universities and research institutes more proactive in order to attract additional funds for research; increasing collaboration between foundations, governments and EU institutions by establishing respective roles and responsibilities.
- **Foster a more conducive EU-wide environment for foundations**, by creating a more conducive EU-wide regulatory and fiscal environment for the operation of foundations; and by improving conditions for cross-border giving and foundation activities extending beyond national borders.

1.4. Clarifying issues of definition for the report

This report, and the work of the Expert Group on which it is based, picks up the issue on philanthropic funding of research where the report *Giving More for Europe* left it, and focuses its attention on fundraising of university research from philanthropic sources. In doing so, it is first important to settle certain typology and ‘boundary’ issues relating to the work at hand.

Addressing certain issues of definition has in fact been important in the deliberations of the Expert Group, in seeking advice and soliciting experience from external experts, as well as in drafting the final report, in order to clarify the scope and coverage of certain key concepts for the work underway. This involves obtaining answers to the following questions:

- Who is soliciting funds?
- From where are funds solicited?
- Where is philanthropic funding directed to within universities?

Who is soliciting funds? This issue refers to the question of how broadly or narrowly the term ‘universities’ is used in this work and in this report. The Expert Group conducted its work based on the Terms of Reference document which states that the term ‘universities’ is taken to mean all higher education institutions, irrespective of their name, status, general or specialised nature in the Member States. Thus, for example, the report recounts the funding experience of higher education institutions such as INSEAD in France. Exclusively Graduate schools (e.g. management schools) are also explicitly included in the analysis.

No attempt was made to clearly distinguish in the report between ‘research universities’ and the rest, though this was mostly the result of lack of comprehensive data that would allow such a clear distinction to be made. It was however implicitly assumed by the Expert Group that the analysis and recommendations of the report relate mostly to universities conducting research. In the same sense, though research institutes that are not integral to degree awarding institutions are not the objective of this report, research institutes that are connected to universities were not excluded.

From where are funds solicited? A second issue relates to the definition of philanthropic sources and philanthropic funding used in the work. The Terms of Reference document states that the term ‘philanthropic sources’ is taken to include foundations, trusts, charities, non-profit associations, corporate donors, private individuals, alumni, legacies, bequests, ‘planned gifts’. The report therefore addresses all sources and types of philanthropic funding.

A particularly difficult issue in this regard relates to funding from contracts undertaken by the university. In drawing the line between contract research undertaken by a university on behalf of a corporate client (or even an individual) and ‘corporate philanthropy’, it was considered important to establish if there is a ‘transaction’ and who owns the benefit; to distinguish between source and aim of funding (philanthropic or not); and to look at the proprietary nature of the deliverable and the extent to which it remains in the public domain. National and local governments were not included under philanthropic funding.

Where is philanthropic funding directed to within universities? This issue relates to the definitions used of research and of research funding used. Regarding the ‘contours’ of research for the purposes of this report, the expert group accepted a broad definition, ranging from basic through to applied research and development (see Box 1.2).

Box 1.2. Defining research for the purposes of this report

For the purpose of this Expert Group work, the term ‘research’ includes (Extract from the “Community framework for state aid for research and development and innovation” 22.11.2006. pages 13-14):

[...] (e) **‘fundamental research’** shall mean experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct practical application or use in view.

(f) **‘industrial research’** shall mean the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by point 2.2 (g).

(g) **‘experimental development’** shall mean the acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include e.g. other activities aiming at the conceptual definition, planning and documentation of new products, processes and services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use. The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs. The experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially. Experimental development does not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements [...].

The group interpreted research to include all research, medical, technological as well as in the pure and social sciences and humanities. Notwithstanding the focus of many research foundations on health research, this broad approach seems to be more in line with the Lisbon

agenda and the creation of the European Research Area. ‘Funding for research’ was also interpreted in a broad way, since university fundraising has a number of uses: endowing Chairs; research projects; scholarships; scientific prizes; buildings.

1.5. Aim and structure of the report

The aim of the report is to help release the untapped potential of philanthropy for research funding in universities. It is addressed to a number of different audiences and people. Its main audience is people in universities: the university leadership, faculty, and fundraising units who are actually involved in fundraising activities or are considering the potential of philanthropy for funding university research. It is also addressed to people in government, whose policies determine to an extent the potential impact of philanthropic funding. It is however also addressed to donors: it hopes to demonstrate the fact that they can make a difference in funding excellence in research in European universities.

In order to achieve these aims, the expert group has identified and reviewed good practices within universities in leveraging funds from philanthropic sources for research activities, developed models of the interactions of the universities with private donors, and drawn lessons and recommendations for all actors involved.

Using the experience of its members as well as of external experts, the Expert Group identified and reviewed good practices in the field, in Europe as well as in the US and Canada. In examining recent initiatives, the aim was to describe the characteristics and specificities of measures, assess their effectiveness, and analyse challenges and opportunities that may have determined the success or failure of each of them. The purpose was to cover a broad spectrum of practices in terms of universities operating structures, fundraising competence, donors management, public administration support, etc. (see Box 1.3).

Based on this review, the group developed models of internal and external organisations and management for the interactions of universities with private donors for research. In doing so the following dimensions were examined:

- Building and managing relations with potential donors (types of institutional communication to encourage giving, communicating relevance of university-based research, building long-term relationships with alumni based on a sense of co-ownership, identifying and canvassing other potential donors, building networks, adapting to differing cultures amongst donors in different countries, changing attitudes towards giving)
- University operating structures, competence and culture in support of fundraising (level of university autonomy and responsibility for their own research funding needs, commitment to professional fundraising by university leadership; professional fundraising structures, good governance, transparency and accountability);

- Diversification of university-based research funding (public support of research fundraising, matching schemes, tax incentives, public-private endowments to increase giving to universities, complementarity with public research funding);

Box 1.3. Sample of issues addressed in the report

Building and managing relations with potential donors. Approaches and strategies for successful fundraising partnerships – e.g.:

- What European universities can learn from the US or Canadian models of fundraising.
- Types of institutional communication to encourage giving for university-based research.
- Activate knowledge through interaction with society. Communicate the relevance of university-based research activities.
- Building a long-term, close relationship with alumni based on a sense of co-ownership.
- Identifying and canvassing other potential donors. Building of networks.
- Adapting to differing cultures amongst donors in different countries. Ways to change attitudes towards giving.

University operating structures, competence and culture in support of fundraising:

- The level of university autonomy and responsibility for their own research funding needs.
- Importance of university leadership in driving change and getting strong commitment to professional fundraising within their institution. Culture of asking for money.
- Different strategies to raise funds for university research, e.g.: project-driven strategy versus donor-driven strategy.
- Professional fundraising structures within universities. Costs of fundraising.
- External professional help
- Universities creating their own foundations, cooperating with an existing foundation or operating themselves as foundations.
- Networks of universities, within Member States and across borders.
- Involvement in broader public-private partnerships for research.
- Importance of good governance, transparency and accountability to secure donor and institutional community trust and confidence. Reporting on the fundraising programmes.

Diversification of university research funding: actions by public authorities to support R&D fundraising of universities from philanthropic sources – e.g.:

- Changes in the legal and regulatory framework of universities, matching schemes, tax incentives, public-private endowments to increase giving to universities.
- Issue of complementarity versus substitutability with public research funding.
- Promotion of sufficiently informative accounting systems by universities.
- Transnational dimension.

Against these aims and considerations, the **structure** of the report is the following.

This **first introductory chapter** sets the stage for the report by relating it to the broader EU policy objectives, in particular the Lisbon agenda and the European Research Area, as well as to the Bologna process and the changes underway in the European university system, particularly those pertaining to diversification of funding. It relates the current report to the findings of the report “Giving More to Research in Europe” of which it is a follow-up. It also addresses typology and ‘boundary’ issues by determining the coverage of the term ‘universities’, as well as that of ‘philanthropic bodies’, and of research activities in the report.

The **second chapter** provides an overview of recent university fundraising initiatives with the intent to identify and review critical elements of ‘best practice’, mainly in Europe but also in the US and Canada. In so doing it draws upon a number of sources. These include the experiences of the members of the Expert Group, presentations made to the Expert Group by invited experts, a review of some of the general literature concerned with fundraising, as well as a series of separate, in-depth interviews conducted for this report with key selected people from universities, philanthropic organisations and fundraising professionals.

The **third chapter** focuses specifically on the raising of funds for research, and especially on four fundraising models identified by the Expert Group during the course of its work. These models describe different aspects of the interactions of universities with private donors for research. They cover a broad spectrum of practices in terms of fundraising strategies, tools and competences, donor management etc; include a number of concrete examples; and highlight ‘good ingredients’ for successful fundraising.

The **fourth chapter** continues the discussion on best practices but focuses on the factors in the external environment that may enhance an institution’s fundraising potential. It examines how fundraising is affected by the tax system as well as the role of public policies supporting efforts to raise funds for research from philanthropic sources, in particular fiscal incentives and matching fund schemes.

The **concluding chapter** identifies the roles and responsibilities of all actors involved in funding research in universities and outlines the Expert Group’s recommendations for releasing the untapped potential of philanthropy for funding university research. The recommendations are addressed to the following groups:

- **Universities**, relating to governance issues, fundraising practices, institutional, managerial and cultural changes);
- **Philanthropic bodies**, dealing with encouraging their spending on research in universities, governance and accountability, ensuring effective use of funds, networking and international cooperation issues;
- **National governments**, dealing with improving the overall policy environment, the fiscal and legal conditions, and identifying existing barriers;

- **European institutions**, so as to promote the exchange of good practices, the ‘Europeanisation’ of fundraising, cross-border ‘giving’, and ensuring that there is an appropriate fiscal and legal environment in which philanthropic funding for research can flourish;
- The **general public**, aimed at increasing the public’s perception of the role of philanthropy in promoting research in universities.

In addition to its main body, the report also includes two **annex chapters** that provide useful background for the discussion of the main issues at hand by examining the changing university ‘landscape’ in Europe and abroad, in particular regarding university fundraising for research from philanthropic sources, as well as the diverse ‘landscape’ of foundations.

The **first annex chapter** assesses the different university national contexts from legal, institutional, historical and cultural perspectives and how they may facilitate or inhibit university fundraising practices. It examines the evidence for the contribution made by philanthropy to the overall funding of European university research activities. It differentiates between funding for research from philanthropic sources and that from governmental and industrial sources, identifying complementarities as well as the unique added value of philanthropic funding.

The **second annex chapter** looks into the ‘landscape’ of foundations in Europe. It examines their overall numbers, size and importance and their typology (different structures, modes of operation, sources of funding, objectives and methodologies). It also looks at national differences in terms of the legal, fiscal and regulatory requirements for foundations (need for state approval, requirement for starting capital etc.) and the tax treatment of donations and expenditures.

Chapter 2. Towards best practice in university fundraising

2.1. Introduction

Chapter 1 examined the panorama of university research funding and the growing importance of philanthropy. This chapter looks more closely at the ways in which universities seek to raise funds for research from philanthropic sources and attempts to identify successful examples of fundraising (some examples are in Box 2.1) and critical elements of ‘best practice’. In so doing it draws upon a number of sources. These include:

- The experiences of the members of the Expert Group;
- Presentations made to the Expert Group by invited experts;
- A review of some of the general literature concerned with fundraising;
- A series of interviews with representatives of 34 external organisations (including universities, philanthropic organisations, professional consultants and firms)¹³;
- A questionnaire distributed to members of the European Universities Association.

The chapter is organised around some of the basic steps universities have to take when raising funds for research from philanthropists. This includes coverage of the activities, processes and structures involved in successful fundraising, discussed under the following headings:

- Getting started;
- Getting help;
- Putting the right fundraising structures in place;
- Getting university governance structures right.

In particular, the emphasis is on:

- **Getting the fundamentals right.** What are the characteristics of a successful fundraising campaign? What steps need to be taken by universities? Which strategies should be pursued? What fundraising structures need to be put in place? What is the role of the university leadership? What is the role of external consultants vis-à-vis internal dedicated staff?
- **Getting the university environment right:** What are the best ways for universities to overcome institutional constraints that hinder their fundraising activities? How can university governance be improved? What is the scope for the creation of University foundations?

¹³ The list of the interviewees is provided in Annex Table 3.

In a subsequent chapter, some of the generic lessons described in the current chapter are complemented by a series of lessons specific to four different types of fundraising activity, as identified during the course of the Expert Group's deliberations (Chapter 3). A further chapter (Chapter 4) then focuses on some of the changes in the external environment that would catalyse and complement the fundraising endeavours of European universities.

Box 2.1. Examples of universities that raise substantial funds from philanthropy

The fundraising successes of leading universities such as MIT, Harvard and Yale in the US and Cambridge and Oxford in the EU are well known, but there are also many other universities that have successfully raised funds from philanthropic sources:

- With its small fundraising office, the **Chalmers University** of Technology Foundation in Sweden managed to raise € 28 million in 2005 and make a return of 40 times what it invested in fundraising efforts (€0.7 million).
- The growing role of individuals in financing university research: e.g. the **University of Oregon** (US) raised, in 2003-2004, gifts of \$65 million, the majority from individuals. It represented 11% of total university revenue. Gifts from individuals to support research came to \$12 million.
- After the introduction in 1995 of state matching fund programmes (with a ratio of 0.5-to-1), the **University of Connecticut's** fundraising campaign reported in June 2004 a total of \$471.1 million (excluding state matched funds).
- **Wilfrid Laurier University**, a public university in Canada with roughly 50-50 tuition and public funding, invests around \$5 million for university advancement out of an annual budget of about \$150 million. It has launched three fundraising campaigns, raising \$7 million in the 1980s, \$25.5 million in 1990s, and \$67 million in the 2003-7 period. In terms of cost-effectiveness, Laurier faced high start-up costs but has gone from \$1 for \$1 raised down to 20c for \$1 raised.

2.2. Getting started

Getting started with fundraising is often the hardest job of all. Many universities have no experience in the area, and fundraising pioneers often have to overcome internal resistance, sometimes at the highest level of leadership. The network and resources provided through CASE (Council for Advancement and Support of Education) – see Box 2.2 – can provide invaluable shortcuts and tools for this process.

It is often not understood that fundraising requires a lot of time and resources, and that a minimum period of 2-3 years is required, together with appropriate financial and human

support, for a fundraising unit to operate properly (see Box 2.3 for an example from Canada). One of the first tasks is to persuade all university people (including students and alumni) that fundraising is worthwhile. Success depends on taking everyone on board.

Box 2.2. How CASE helps University Fundraising

CASE (Council for Advancement and Support of Education) is the professional global organisation for educational philanthropy and professionals who work in fundraising/development, alumni relations, communications and marketing – the group of disciplines for which North Americans use the shorthand term ‘institutional advancement’. CASE’s membership includes more than 3,300 colleges, universities, and schools in 54 countries, making it one of the largest non-profit education associations in the world. CASE has offices in London, Washington DC and Singapore, from which it provides training and advocacy, produces handbooks, benchmarking tools and on-line resources, organises study tours, and administers awards for outstanding practice.

In Europe, CASE has offered conferences and courses in educational fundraising since 1990. Today, it provides over 30 events a year in Europe, ranging from seminars on “An Introduction to Fundraising and Alumni Relations”, to forums for Rectors on the leadership role in fundraising. The week-long CASE Spring Institute in Educational Fundraising held each April is the leading intensive course for fundraisers working in an educational context. Always over-subscribed, it has a fine track record of training staff from across the continent. The CASE Europe Annual Conference is an even larger meeting place, through which good practice for Europe is improved and refined. In 2007, this event attracted over 800 participants from 32 countries. The steady growth in attendance at CASE events is a clear indicator of the increasing hunger for information about educational fundraising and alumni relations within European institutions.

CASE operates on the basis that “all boats rise with the tide”. Encouraging philanthropy in Europe is not a zero sum game. When practitioners share their experiences – positive and negative – it strengthens the professionalism and the potential of all. Presenters at CASE events are therefore drawn from the ranks of experienced fundraising professionals and the leaders of their institutions.

In the European context, CASE events provide the network through which practitioners can compare case studies, decide which practice will transfer well to their culture, improve their skills and build their confidence.

CASE Europe is a registered charity. The chair of the Board is Professor Duncan Rice, Principal of the University of Aberdeen. Trustees include Professor Eric Thomas, author of the Thomas Report on Voluntary Giving to UK Universities, and experienced practitioners from educational institutions in Sweden, France and Spain.

Further information at www.case.org.

Box 2.3. Canadian University philanthropic programmes

The review of Canadian University philanthropic programmes can provide potentially useful lessons for European universities. The Canadian experience while influenced by the US over the past thirty years is still in many ways similar in culture and attitudes to those in Europe. Canada does not have a 100-year philanthropic tradition in university fundraising. The vast majority of universities only began to take fundraising seriously in the 1980s. As in Europe universities are state funded and there is no tradition of private universities.

The major difference between Canadian and US universities is still today one of scale. The vast mega-campaigns at many U.S. universities still dwarf all current Canadian campaigns. Likewise the endowment levels at Canadian universities pale in relation to their U.S. counterparts. The largest Canadian university endowment (Toronto with \$1.5 billion) is one-fourth the size of the 10th largest U.S. (Texas A&M with \$5.6 billion and one-twentieth that of the largest U.S. university endowment (Harvard with \$30 billion).

Once however the elite private U.S. institutions and a distinguished group of major state universities are removed, the gap in fundraising ambitions and results has definitely narrowed over the past 25 years. Canadian universities have made great strides in developing a philanthropic culture among faculty, staff, students and alumni over the past two decades. Modest fundraising campaigns of the eighties are being replaced since the turn of the century by campaigns well in excess of \$100 million dollars.

A major stumbling block to progress at Canadian universities in the eighties and nineties was the slow realisation that financial investment in fundraising needed to be substantial and consistent. A major mistake many institutions made was to invest in a capital campaign then cut back the staff once the initial campaign goal was reached. Momentum was lost, and a few years later similar investments had to be repeated to develop a permanent professional staff.

Fundraising for research has been a difficult target for Canadian universities. The vast majority of research funds are still coming directly from government sources. McMaster University in Hamilton, Ontario recently completed a campaign for \$360 million dollars of which less than \$30 million dollars was for research purposes. Universities in Canada do not count contract research funds in their development campaigns. Where funds are raised for research purposes it is almost overwhelmingly for medical and engineering schools.

It also has to be understood that a significant investment is needed in order to hire and train professional staff, create the needed tools (e.g. databases, software, mailings, events) and carry out necessary research prior to any fundraising activities. This research includes identifying the whereabouts of alumni members, unearthing further information concerning their work positions, income etc., as well as conducting feasibility and planning studies.

Efforts are also needed to establish a university's areas of strength and projects and services where it can demonstrate excellence and differentiate itself from other institutions. This involves far more than a simple incremental addition to the tasks of an existing university service/unit; it is indeed a professional activity in its own right.

Successful fundraising efforts suggest that this 'silent phase' in fundraising before the start of official public campaigns is very important. The upfront investment involved before one can actually raise funds, however, is significant, some putting it at the level of 1 million Euros for a large university.

Such funds are not easy to come by, especially when it is for preparatory tasks and there are no immediate, tangible returns on investment. This may encourage many universities to under-invest in this phase. The obvious danger is that the sums invested are sub-critical and subsequent returns negligible. Starting with small steps may however be useful and necessary for institutions that do not have the resources to make all the necessary investments at the start of the process, or in cases where the importance and value of fundraising activities first have to be demonstrated before substantial investments can be made.

Early investment in time and resources needs to be coupled with an 'investment in excellence'. In other words, universities have to work to establish those characteristics that will become 'selling points' from the vantage point of potential donors. The notion of excellence is, however, different in different contexts – a local university in a province may consider that its strong local relationships with industry and the community at large constitute its 'unique selling proposition', while a large university may consider its research excellence in certain scientific and technological fields to lie at the core of its competitive advantage. Instead of excellence, it is perhaps thus best to talk about unique strengths and opportunities.

The early stage in the process of establishing a capacity for philanthropic fundraising has been likened by some to 'friend-raising' before fundraising. This is based on the belief that, when there is a mutual bond between the university and its potential donors, fundraising will have more effect and will be longer-lasting. An example of the steps involved in such a strategy is provided by the Free University of Amsterdam (see also Box 2.4 for the case of the University of Groningen). The steps taken by the Free University of Amsterdam and advocated here are as follows:

- Develop an attractive profile and enhance the visibility of the university;
- Establish a good reputation;
- Create alliances with colleagues in strategic positions;
- Search for internal ambassadors, who apart from helping to make people aware, also help researchers and professors seeking funds to define their objectives and develop appropriate requests and business plans;
- Develop internal knowledge with regard to friend-raising and fundraising principles, corporate governance, the impact of the external world;
- Manage expectations;

- Start work on practical matters like creating/updating an alumni database and developing its structure; developing attractive products; ensuring the transparency of procedures; creating a well-functioning back office;
- Start friend-raising and relations-raising to establish mutual bonds with potential donors based on respect and trust. Once established, the possibility of a potential door contributing to the university's development is much higher.

Box 2.4. 'Relationship fundraising' at the University of Groningen

Fundraising at the University of Groningen in the Netherlands started in 1998 with an American resident consultant for 3 years and with a team of 8 people. Initial preparation was a fact-finding mission of the university leadership to the US, and a feasibility and planning study. The role of the consultant was to ask the 'critical questions', and one of the first tasks to find out who your friends/ relationships are.

Groningen adopted a 'relationship fundraising' model, with the goal of offering people the opportunity, by means of a systematic approach, to contribute to good causes – based on direct personal commitment over a relatively long period. The idea was to create a culture of engagement and to educate the faculty on how to do fundraising. This approach can be codified in the seven rules of relationship fundraising as these have been applied:

- **Rule 1** Know what you and your organisation are taking on. Carry out feasibility and planning study.
- **Rule 2.** Know what your organisation stands for. Write a convincing manifesto.
- **Rule 3.** Know what your organisation needs. Draw up a list of the most pressing needs.
- **Rule 4.** Know who the potential donors to your organisation are. Draw up a well-founded, realistic list of worthwhile candidate donors.
- **Rule 5.** Know who the ambassadors for your organisation could be. Decide on your top ten candidates and invite them to meet you.
- **Rule 6.** Know whether your organisation is ready. Take the right steps at the right moments.
- **Rule 7.** Know that success for your organisation brings fresh success. Exploit every success as a spur to fresh success.

During the last 9 years the professionalism of the fundraising team has gradually improved. To begin with the team members absorbed and imitated the resident consultant's example, but after a while everyone has begun to develop their own approach and style, moving towards their own form of mastery.

The income generated at the University of Groningen is 2-4 million Euro per year in the last 6 years, mostly from charities (alumni 0.2 million per year); overall 20 million Euro.

An enormous amount of groundwork is required before a first donation can be made. Typically this involves undertaking a specific series of activities. These comprise:

- Outlining the vision of the institution;
- Developing a strategy;
- Engaging the university leadership;
- Engaging the academic community;
- Exploring the potential support base;
- Hiring professional help.

A vision coupled with a strategy

Universities usually decide to fundraise when they discover they have a financial need. It is therefore easy to forget that raising money will be the result not of revealing this need to potential donors, but of demonstrating promise and opportunity and providing a vision to which potential donors want to contribute. People give to a university because of a self-generated conviction as to the institution's merits; a belief in the objectives and plans of the institution and the efficiency of its management; a faith in the competence of the institution's leadership; and, critically, a desire to make a difference.

The key, therefore, is for universities to demonstrate firstly what it is that sets them apart (outstanding leadership; passionate and experienced faculty; talented and motivated students; relevant programmes; a healthy financial footing; proud and loyal alumni and friends); and secondly to provide a vision that builds upon these strengths. This, in essence, is the university's modern challenge: to understand and know how to communicate the university's role in a post-industrial society. Without this, no university has the credibility to become a point of reference or to attract funds.

It is therefore important to focus on the development of the institution's profile and visibility. Managing the institution's profile and reputation creates the base for a future bond with alumni and other potential donors as well as encouraging the future recruitment of students. Developing and maintaining a good reputation is important for universities as much as it is for foundations. This is ensured by investing in excellence or building on strengths. Foundations can help a university become a world-class centre of excellence in a specific area.

Building up a university's profile, by identifying and promoting its areas of excellence and establishing its comparative advantage over other universities, is of great importance. Differentiation can be demonstrated in different ways. For example, the Jacobs University in Bremen combines sciences and arts and thus promotes cross-disciplinarity. This is its comparative advantage over other universities. In contrast, rival universities promote their excellence in specific research areas.

The University of Edinburgh, as another example, is justly proud of its world renown in the fields of stem cell research and cognitive science. INSEAD, as a 'monothematic' HEI focusing on management studies, as well as Bocconi University in Italy, fundraise successfully based on their excellence in particular fields (see Boxes 2.5 and 2.6)

Box 2.5. Fundraising at INSEAD

INSEAD is a private institution offering a 1-year MBA plus executive education to 900 students and receiving no public funding. It has run two fundraising campaigns; the first in 1995-2000, raising €118 million (target €100 million); and the second running currently (2003-2008), raising €170 million to date (with a target of €200 million).

The two campaigns have different characteristics: an increase in the percentage given by alumni (from 9% to 27%) and of foundations (from none to 40%), and a decrease of the percentage given by corporations (from 84% to 27%). In terms of where money is directed: between the two campaigns the share for research was stable, with a reduced share going for creating chairs, and an increased one for financial aid.

A number of factors have facilitated INSEAD's ability to fundraise: its structure (non-profit, private, independent and autonomous, stand-alone, in control of its destiny); its ambition (a desire to be among the best and hence to do as they do); its investment (a willingness to invest time and money to engage outsiders, build relationships, and recruit volunteers); its mobilisation (the ability to mobilise the school's alumni, faculty, and friends); its network (a widely spread international network of alumni & friends); its story (credible case for support); dedication (total devotion of the school's leadership supported by a professional and highly motivated development team); and its 'alignment' (aligning fundraising with the school's strategy, its alumni and corporate relationships as well as its institutional communication).

INSEAD's Dean spends 2/3 of his time meeting people and raising money, while its international nature allows it to prospect more (diverse 'markets' with different degrees of maturity) but has also disadvantages (you compete with other local good universities). Its experience however cannot be generalised: the mission of most European HEIs (educating 30-40% of school leavers) is different from that of INSEAD.

Comparing INSEAD – perhaps Europe's best-known business school – with Harvard Business School provides some interesting insights. In terms of revenues, both get about a quarter from fees in degree programmes; INSEAD relies heavily (54%) on fees from executive education, HBS less so (33%); endowment distribution is only 2% of revenue in INSEAD, and 25% in HBS. Structure of expenses is also similar. In terms of endowment distribution, 72% at INSEAD is for Chairs (47% at Harvard); 20% is for research support (11% at Harvard); and 5% for financial aid (21% at Harvard).

Identifying areas of strength is important because few universities can claim to be strong in all areas and most potential donors are more interested in building on strengths than in rectifying weaknesses. The starting point for all fundraising efforts, therefore, should be an accurate and honest analysis of the institution's strengths and weaknesses.

Any vision that involves building on strengths has to be accompanied by a fundraising strategy. There are important strategic issues that need to be decided upfront, even if later they are adapted in the light of experience and changing circumstances. Examining areas of strength (selling opportunities) is just the first step in the process. Subsequent steps involve examining the obstacles the university faces in its attempts to raise funds and trying to find ways of overcoming them. The university should also decide on the role that fundraising is to play in its overall development plans and adjust other parts of these plans accordingly. If, for example, fundraising is seen as critical to the future development of the university, the abilities of candidates in this sphere should be taken into consideration when appointing new university leaders.

Other issues that need to be addressed at the outset include the focus of the fundraising efforts (e.g. a focus on raising funds for research); the target donors (these range across wealthy individuals, philanthropic foundations, firms and alumni); the sequencing of activities; the structures to be put in place; the use of external help *versus* the development of internal resources; and the way the funds collected will be distributed and used.

A good communication strategy that publicises a university's achievements and comparative advantages should also be an integral part of an overall strategy. It should include:

- The preparation and dissemination of material on the research and educational achievements of the university via press releases, up-to-date web sites, annual reports, fundraising occasions, etc;
- The preparation of clear messages in line with the university's aims and supported fully by the university leadership;
- The attendance of press/communication team members at all meetings relevant to fundraising activities, so that up-to-date and accurate material can be prepared for widespread dissemination;
- The organisation of events aimed at publicising the achievements of a university and the contributions made by donors, as these are a good way of thanking existing donors and attracting new ones;
- Publicising achievements and fundraising activities internally within the university as well as externally, for this creates a sense of institutional pride and keeps staff informed about the importance and significance of fundraising efforts;
- Recognising that the head of a communications unit should be a part of the senior management team within the university.

Concerning the latter point, the Technical University of Munich provides an example of how communications can be integrated into an overall strategy. In 2002 it became the first German university to appoint a Chief Information Officer (CIO) as part of the senior management of the university. The university felt that this move would boost the effectiveness and efficiency of its information and communication activities and lead to considerable savings.

Box 2.6. Fundraising at Bocconi University

- **Bocconi facts & figures:** University with 14.000 + students and Economics, Management and Law faculties. SDA Bocconi School of Management: 18,000 participants in more than 1,000 short courses. Faculty: Tenured 213, Non-Tenured 301, Part-Time 855; total 1.369
- **Strategic Plan 2005 – 2015:** Mission: to address the research and education needs of the European and global economy, by favouring international exchange and economic integration. Vision: to become one of the leading European institutions in economic, law and management education. Objectives: increase research capabilities, attract the best students for undergraduate and graduate programmes from both Europe and overseas, recruit the best researchers in management and economics from around the world
- **The need for fundraising:** Bocconi's revenues come mainly from tuition fees (50% from undergraduate degree programmes, 27% from postgraduate); public funds account for 12%; applied research and other contributions are the remaining 11%; no fundraising until now while the competition can benefit heavily from private contributions and big endowments.
- Bocconi is investing heavily on 5 directions: Faculty Internationalisation; Research; Educational Programmes; Financial Aid; Residential and Campus infrastructures. Goal: € 100 million over 10 years
- **Bocconi 2015 Campaign:** aimed at institutions (foundations, corporations) and drawing on its strong relations with the business community at individual and institutional level; and individuals (friends, alumni, students); Bocconi has more than 57,000 alumni, many of them leaders in the business community
- **Bocconi's Fundraising Programme – the actors:** University leadership (cultivation and solicitation of top donors); academics (prospect identification, participation in key meetings); Business Community Ambassadors (providing geographic and sector knowledge and intelligence); campaign Board Members (prospect identification, 'door openers'); professional fundraising staff (overall support, monitoring and reporting); alumni associations (promoting campaign, generating support)
- Overall feedback – Proud **of:** after one year at 35% of target; success gives credibility and more options; leverage successfully on relations with the business community; success in bringing a small group of academics on board; partial turned around the fundraising attitude of President; benchmark for the Italian academic environment
- Overall feedback – lessons **learned:** The early stage of a campaign could be easier than the last one; harvest – invest is the wrong sequence; when you get a low return, it's necessary to be persistent; organisational conflicts a strong limit to develop an effective campaign; difficult to get money without any kind of influence: we should be ready to accept both; top management commitment is critical.

Engaging the university leadership

The attitude of academic leaders to educational philanthropy is crucial to developing successful programmes. Academic leaders need to take ownership and responsibility for philanthropy on their individual campuses. Rectors, Vice-Chancellors and Deans are the ones that will create a compelling vision; manage the academic priority-setting process; articulate and interpret the case for support; identify prospects; facilitate faculty development partnerships; maintain and advance relationships; do the asking; recognise and thank donors.

Long-term success lies in a real partnership between a permanent professional development team working in concert with Vice-Chancellors, Deans, Department Chairs and Faculty. The vast majority of academics on most campuses in Europe and North America may well be uncomfortable or even hostile to fundraising activities. Champions may not be easy to identify but they do exist. It is now commonplace, for example, for search committees for Vice-Chancellorships in Canada to require a working knowledge and track record in fundraising. Deans are also becoming more involved in fundraising, and in many cases have participated in professional development conferences in the U.S. and Canada.

Success also lies in continuity. Just as there are many examples where fundraising in a university took off after the arrival of a Rector or Dean that understood its potential and actively guided such efforts, there are many examples of promising fundraising that stopped in its tracks after an unfortunate leadership succession. It is important, therefore, that a university not only develops a vision and strategy for fundraising activities, but also a contingency plan to make it less susceptible to changes in personnel and leadership.

Engaging the university community

Success in moving past embryonic fundraising programmes is fundamentally about changing the culture on individual campuses concerning the need for educational and research philanthropy. You cannot change the attitudes of current students or alumni unless there is a corresponding attitudinal change amongst academic leaders, faculty and staff. The hallmark qualities of successful fundraising programmes begin with an institutional commitment to financing development initiatives.

Getting the academic faculty on board is critical in this respect. They are often hostile to fundraising, especially in disciplines that are unlikely ever to attract private funding. Building trust is important and can be done by persuasion and by demonstration. In the case of ESSEC in France (www.essec.fr), for example, the fundraising professional hired by the university had an academic background. This helped her gain the trust of professors and researchers and reassured them that fundraising activities would not compromise their academic freedom.

The university staff has to be taken on board also to understand and contribute to the success of fundraising efforts. In a sense, all members of the university staff have contacts with the external world and are thus relationship managers. As such they are involved either directly or indirectly with fundraising, no matter what position they hold. Access to the networks and

personal contacts the university leaders, professors and researchers may have is crucial to identify potential major individual donors.

In identifying the areas of excellence or ‘selling points’ worth promoting different faculties have to communicate and collaborate well with the fundraising unit as well as among themselves. Any fragmentation among the units will jeopardise the success of the efforts. An institutional fundraising approach is preferred over a departmental or faculty one, given that only a few universities are large enough to afford raising funds at departmental/faculty level.

Everything that universities promise to the outside world must therefore be realised if these external relationships are to flourish. This requires university staff to have an external orientation and different competences than in the past. This is now an important responsibility of Human Resource Management (HRM) departments. If there is a discrepancy between the university’s ambitions and its day-to-day routines, this will have an adverse impact on its capacity to attract private funds.

Approaching donors

There is no rigid set of rules on how to approach donors, though from the experiences of successful fundraisers a number of lessons stand out (see for example Box 2.7). Clearly, however, a lot depends on the type of donor (wealthy individuals, alumni, foundations, corporations). Major donors, for example, tend to look for careful strategic planning; sound financial management; details of the project(s) to be funded; tangible benefits for the organisation, the community and the donor; opinion leader endorsement; partnership/stewardship; support from the organisational ‘family’; excellence; uniqueness; creativity; and urgency. It seems that not many donors will give explicitly for research (though they will fund a building used for research).

“How much capital does the university have? How, precisely, does it spend its money? Why do certain projects need supplementary funding? Why should I make a contribution to these projects?” These are questions that sponsors and donors always ask. Relationship managers and fundraisers seriously engaged in relationship fundraising never tire of insisting that proper answers to such questions must be available if they are to approach prospective donors with an accurate, appealing and convincing pitch. They will not get a second chance to convince sponsors and donors. Not all University Boards are equally aware of this priority.

In addition to these general principles, there are other lessons that emerge from experience. Typically, each potential donor (a wealthy individual, a foundation, a company) has a particular preference concerning which areas, projects and services to support (e.g. chairs, research projects, PhDs, scholarships). Thus it is often easier and more appropriate to ask for funds for specific purposes rather than for general purposes. On the other hand, asking for funds for some purposes is more difficult than for others. Asking for funds for buildings and infrastructure, for example, is generally difficult, while few donors are normally prepared to cover administration costs and salaries or taxes. Similarly, donors will rarely agree to cover

operating deficits. In most universities, therefore, donor money never covers operating deficits, even if funds are unrestricted and going ‘where needed most’.

Box 2.7. Things to do and common mistakes in the life cycle of a potential donor

- **Prospective student:** To do: showcase the university, provide relevant case studies, communicate opportunities. *Common mistake: taking them for granted*
- **Student:** To do: invest in services, seek feedback, measure performance, be attentive to change. *Common mistake: forget to treat them as clients; assume they are reasonably happy; neglect to promote the stars*
- **Alumnus:** To do: communicate achievements, build networks, offer access, involvement, maintain regular contact; *Common mistake: forget to communicate enough; show no interest in following their lives; expect a lot from a few*
- **Prospective donor:** To do: share vision, articulate need, ask for support. *Common mistake: not knowing enough about them; not matching need with interest; being afraid to ask*
- **Donor:** To do: thank a million times, show gift impact, be transparent and accountable, build stronger loyalty, leverage with peers. *Common mistake: not reporting back; not leveraging their loyalty; being reluctant to ask again.*
- **Repeat donor:** To do: thank two million times, involve more strategically, share success, ask again. *Common mistake: not reporting back; not leveraging their loyalty; being reluctant to ask again.*

It is also important to create an environment of competition between donors, for this is conducive to attracting donations. Many fundraisers note the importance of asking, not begging: “People do not like to give to losers”.

Last but not least when approaching major donors is the question of from whom you will *not* take money. Ethical issues are becoming increasingly important, with some universities returning ‘tainted’ gifts. It is therefore important for each university to have a clear and transparent set of guidelines concerning its ethical stance on donations. (The ‘Principles of Practice for Fundraising Professionals at Education Institutions’ and the ‘Donor Bill of Rights’ produced by CASE provide a useful starting point.)

Approaching alumni is a completely different matter. Contrary to the situation in the United States, where students ‘grow up’ with the idea that they will continue to support their college after graduation, alumni in most European universities are surprised when their alma mater suddenly, and for no obvious reason, asks them for financial support. Some, however, succeed in attracting significant funds from their alumni (see Box 2.8).

There are a number of key variables affecting the propensity of alumni to make philanthropic contributions: the perceived impact of the university and the education they enjoyed on their lives; the perceived quality of the university; the extent of formal/continuing communication with the university. For some existing alumni it will always be too late to alter their perceptions of how their university has shaped their lives. However, it remains true that enhancing the reputation after they have left the institution will still reflect positively upon them in their later career. Much can be done to ensure that current students appreciate these subsequent impacts via improvements to the quality of education offered and better alumni linkages and relationships.

Box 2.8. Fundraising by the École Polytechnique – the role of alumni

- **École Polytechnique:** Created in 1794; today has 2,600 students, 400 faculty members, nine departments; 1,600 people in the research centre, 640 researchers, 460 PhDs, 21 laboratories. Budget: 165M€. A school with a monothematic (engineering) nature
- **Alumni:** a number of prestigious scientific alumni (H. Becquerel, H. Poincaré, M. Allais,...), business leaders and politicians (3 French Presidents); 19 555 alumni in total, of which 13 299 members of the Alumni Association, 14 486 registered on the mail site.
- **Alumni structures:** Alumni Association (mutual financial assistance, alumni life, professional network, non-profit, non-tax deductible); Alumni foundation (school - companies relationship, school financial support, non-profit, tax deductible); Alumni animation tools including the alumni magazine; Alumni directory; Alumni association website www.polytechniciens.com.
- **École Polytechnique Foundation:** Links École Polytechnique and Companies; headed by 10 retired alumni from companies, 3 administrative staff; deals with education, research and technology transfer, professional training, international development. A non-profit organisation, with tax deductibility of the gifts (66% of the gifts deductible from income tax of physical persons, 60% of gifts deductible from income tax of companies). 2.2M Euro collected per year, from alumni (6 % of givers), and students: 0.95 M€, companies: 0.90 M€ and companies scholarships (international students...): 0.35 M€
- **Alumni fundraising involves:** Professional involvement: School name on CV, students recruitment, company students internship, company research contracts, company chairs; Personal involvement: student sponsor, conferences and presentations, responsibility within school environment (board, commissions).

Building and maintaining alumni relations involves professional and committed staff; the creation of an effective, up-to-date database; building alumni interest (not just communicating with them); building partnerships with local prestigious organisations; recognising and celebrating donations, etc. Building alumni interest in particular requires certain practical

actions: segmenting the population; conducting surveys (on interests and expectations); coordinating activities across departments and building affinity links between these departments and individual alumni; asking for feedback; involving alumni in planning and executing some of the activities of alumni associations.

In terms of involving alumni in activities, for example, alumni often appreciate participating in meetings and reunions; travel programmes; assisting with admissions; mentoring students; serving in advisory capacities; offering testimonials; keeping in touch with faculty; serving on Boards and Committees; being involved in the development of case studies; recruiting students; participating in surveys; helping shape course programmes; and being consulted on the strategic direction of the university.

The experience of the MIT in the U.S. demonstrates the importance for fundraising of engaging alumni in various activities. Participation in fundraising campaigns is 30% higher for reunion attendees, 20% higher for volunteers, and 13% higher for members of affinity clubs. In terms of consistency, alumni involved in such activities are 1.4 - 2.1 times more likely to be consistent donors. In terms of the size of gift, involved alumni are 2 to 6 times more likely to make cumulative gifts of \$2,500 or more over 5 years. The stronger ratios are at the \$25,000 level or higher.

2.3. Getting help

Fundraising is a profession and needs to be conducted professionally. As the requisite skills and experience are not usually found in universities among existing staff, universities need strategies to recruit, train and retain key individuals in this field. These may include study visits to comparator institutions, participation in training courses and the use of handbooks and guidelines (e.g. the CASE 'Management Checklist for Development'). Recruiting a professional consultant can be a helpful ingredient in most serious fundraising efforts. Consultants know how to conduct fundraising and bring a 'collective wisdom' to the party (see Box 2.9 for some practical advice). They can play a 'coaching role'; they are useful in benchmarking; and they can act as catalysts and accelerators.

Fundraising consultants cannot define or articulate a university's vision or even its strategy. This is an issue for the university leadership. They can, however, help universities apply a strategy and put in place a *process* for 'asking'. This involves discovering potential strategic funders (e.g. companies, people, foundations), researching them, making the case for funding, asking for funds, managing the relationship etc. They can also help put in place fundraising structures and ensure that they are operational. The role of consultants is particularly important vis-à-vis strategic funders, with whom it is important to develop a one-to-one relationship if they are to make substantial contributions.

Consultants undertake research on funders on behalf of universities. This involves looking into their histories; their policies; the ethical and risk issues surrounding their investments, holdings, interests and reputations; their organisational structures; the composition of their boards and staff; their financial situations (assets, income, grants etc.). An important task is to

establish ways of linking with potential funders via existing connections with their board members, their officers, their staff and other grant recipients. Sometimes this involves tapping into existing ‘knowledge silos’ within the university itself, for ‘knowing what we know’ is a often a special problem for universities.

Having done the research, consultants can help universities make their case. This can involve: the preparation of a one-page description of the project in plain language, explaining “how it will change the world”; the preparation of a financial plan (is the project divisible into foundation-size chunks – e.g. €10,000? €100,000?); and even the identification of ‘naming’ opportunities for the funder. The case needs to be solid, stable and reliable. If possible, it needs to demonstrate competence in the administration of philanthropic funds. It needs, furthermore, to be new, innovative and complementary to other funding sources (e.g. funds for research from both public and private sources).

Box 2.9. Practical advice in order to succeed in fundraising

- **Defining the campaign:** Make a good case; set a manageable campaign goal; begin with the Board; cultivate your leads; make a big splash when you go public; offer plenty of naming opportunities; remember: staff participation is a great weapon
- **Tools and techniques:** Soften the potential donor; customise; use peer pressure; do your homework; don’t get caught short; never take no for an answer; use challenge gifts as incentives; make drop-dead challenges—they’re better; network, network, network; talk up the cause at every opportunity; and last: keep a little humour, please
- **Asking:** Don’t be shy; set up an appointment to ask eyeball to eyeball; be honest—it’s the best policy; honour the spouse; be direct; have a number in mind before you walk in the door; listen to suggestions; know your prospects; close the deal yourself if you can; be flexible about payment; remember: more calls mean more successes; follow up; don’t let excuses kill the deal

(excerpt from L. Cullman, *How to Succeed in Fundraising by Really Trying*)

It is also important to spell out the social return on Investment (e.g. “400 more children will be able to enrol at the university”; “an estimated €5m pa will be saved in health costs”). This puts a monetary value on social impact. And finally, it is also important to tailor the case, i.e. to specify how the project fits the donor’s objectives, priorities and interests.

Consultants therefore act as ‘facilitators’. They can help at the beginning of the process of fundraising by doing market testing or looking at internal university structures. They can help in the middle of the process by conducting or outsourcing research to identify donors and by helping to train university staff; and they can help at the end by reviewing the whole process.

But it is important to remember that consultants do not hold all the answers (just like universities, many consultants in Europe are also still ‘learning the ropes’), and they cannot and should not be a substitute for all the internal work that needs to be done.

A different type of ‘external help’ involves bringing in an outside group or personality to lead fundraising efforts. There are a number of examples (as in the case of the University of Louvain – Box 2.10 below) where putting a well-known personality external to the university in charge of a fundraising campaign has greatly helped its success by giving the campaign credence and stature in the broader community.

Box 2.10. Fundraising at Johns Hopkins University (U.S.)

- **Johns Hopkins University context:** founded in 1876 with a \$7 million bequest; includes the Johns Hopkins Hospital; 14,000 students (4,000 undergraduates); 145,000 alumni; 200,000 ‘friends’ (former patients, event attendees, parents); alumni association founded in 1890s (!); first Annual Fund effort in 1947; first official campaign in the 1970s
- **Johns Hopkins finances:** total revenue \$4.83 billion; 9% of operations funded by private philanthropy, and nearly 30% of capital projects. Admin cost to raise \$1 is 10 cents – one of the most efficient fundraising programmes.
- **Fundraising in Johns Hopkins:** \$440 million raised in FY2006 (cash and pledges), in 6th year of a 8 year, \$3.2 billion campaign; endowment of \$2.4 billion (has grown in 10 years from under 1 billion); development staff of 350 total persons, of which 180 ‘senior’ staff; 40-50,000 donors per year; 70% of donors are repeated every year.
- **Knowledge for the World Campaign:** Original goal \$2 billion, revised to \$3.2 billion over the 2000-8 period; \$2 billion for Johns Hopkins Medicine, the rest for university divisions. Top priorities: capital projects (17% – higher than in other U.S. institutions); scholarship/student support; research; faculty.
- **Source of funds raised:** (non-government, excludes NSF) foundations 32%, alumni 26%, non-alumni individuals 22%, corporate 8%, organisations 8%, other 4%. Corporate share in funding has shrunk. JH does not have a ‘matching funds’ scheme.
- **Destination of funds raised:** programme support 32% (e.g. a nursing programme to provide assistance in Africa), research 30%, facilities/instruments 16%, faculty support 7% (e.g. endowing professorships), student aid 9%, undesignated 6%. Money from foundations is skewed towards research, from alumni to buildings and student support.
- **Giving by gift range:** \$10+ million 44%, \$5-\$9.9 million 9%, \$1-\$4.9 million 24%, \$0.5-\$0.9 million 6%, \$0.1-\$0.49 million 10%, less than \$100,000 is 8% of total.
- **Alumni participation:** around 1 in 3 undergraduate alumni give (2003-6 data); one in 5 for graduate alumni. One in four of all alumni have made at least one gift to the KFTW campaign. Alumni records are about 90% accurate!

Box 2.11. The Polish case: Five years after the EXPAND project

- **Objectives** of the EXPAND project (External Partnership – New Dimension): to foster development of partnerships between Polish universities and their external stakeholders, using an integrated approach comprising development offices, career services, alumni associations, and at a later stage technology transfer and collaboration with SMEs.
- **Project consortium:** 13 Polish universities represented in Conference of Rectors, 6 foreign partners, among them Iain More Associates – fundraising, University of Hull – career services, Central Ostrobothnia Polytechnic and Karlstadt University – SMEs, several other partners, among them CRE, Agency for Regional Development
- **The universities in the project:** a group of leading HEI's: typically 10 – 15 faculties, with strong emphasis on fundamental research, ca 30% of student population, and very autonomous, but also heavily under-funded, facing a growing competition of both other public and non-public HEI's. 1999 – first signs of overcapacity of the sector, demographic data showing ca 40% decline in number of school-leavers between 2005 – 2020.
- **Activities and outputs of the project:** Career services: well established and active at majority of universities and also in several other HEI's. Technology transfer: problems as everywhere but significant activity in the field. Alumni associations: established at most of the universities but weak. University foundations: established at most of the universities but struggling and often in a stand-by mode
- **General lessons for Polish university research fundraising.** Underfunding of everyday operations makes it difficult for rectors to invest in new administrative units with a long-term perspective, not rich enough to start professional fundraising activities. EU money is a 'low-hanging fruit' and acts as a disincentive to fundraise from philanthropic sources.

2.4. Putting the right fundraising structures in place

Using outside professionals to achieve fundraising goals is often necessary, but it is imperative to remember that fundraising cannot be completely outsourced. It needs commitment, and this has to come from the university leadership and university staff. Ultimately, universities need to 'skill up' internally and create their own professional fundraising teams. It is hard, it is costly, it takes time, recruiting and retaining such staff is a huge challenge, but building internal teams with the right competences is the critical ingredient for long-term success.

The next move after hiring an external consultant therefore is often to hire a professional to undertake the responsibility of executing the activities decided according to the feasibility study and to start putting in place a team of specialists. This lead professional is usually chosen from outside the university and has to be able to demonstrate excellence in fundraising

activities. In addition, it is important that he/she is able to understand the education and research activities as well as the issues and concerns of the academic world.

Box 2.12. The experience of Karolinska Institutet

Karolinska Institutet (KI) in Sweden is the largest medical university in Northern Europe (a one-faculty university). Its vision is to improve people's health through research, education and interaction with society, and its work is bridging basic research and clinical research through translational research. It has 340 full professors, 1300 senior researchers, 2500 postgraduate students, 380 dissertations per year, and awards the Nobel Prize in Physiology or Medicine. It has a budget (2006) of 450 million € in total, of which 330 million € is for research, and 120 million € for education.

KI has initiated a fundraising campaign in order to recruit and retain leading scientists, gain access to the most recent technologies, and educate tomorrow's scientific leaders. Its 'name' and reputation for excellence (Nobel) attract funds and are part of the marketing strategy. It is a strategically prepared process, with a Development Office, internal and external commitment and cooperation. The steps in the campaign (2006-2010) involve internal planning, building relations, approaching private donators, companies and foundations, involving the alumni, and finally achieving the financial goal.

Fundraising builds on three pillars: internal leadership (President); external leadership (Campaign Chair); and a Development Office (Campaign Director). The organisation has a Steering committee (composed of the KI President, the University Director, the Dean of Research, the Campaign Director); an external campaign committee (whose Chair is a member of Board, and includes leading representatives from industry and academia); and the 'American Friends of KI', with leading U.S. industrialists and philanthropists, KI's President, and the Campaign Director (KI has established legal presence in the U.S. for tax purposes).

The KI Development office is a professional fundraising organisation, managed by a Development Director (an ex-VC professional) who operates the campaign; today it has four employees, with an additional 1-2 posts during 2007, and a long-term mission after 2010.

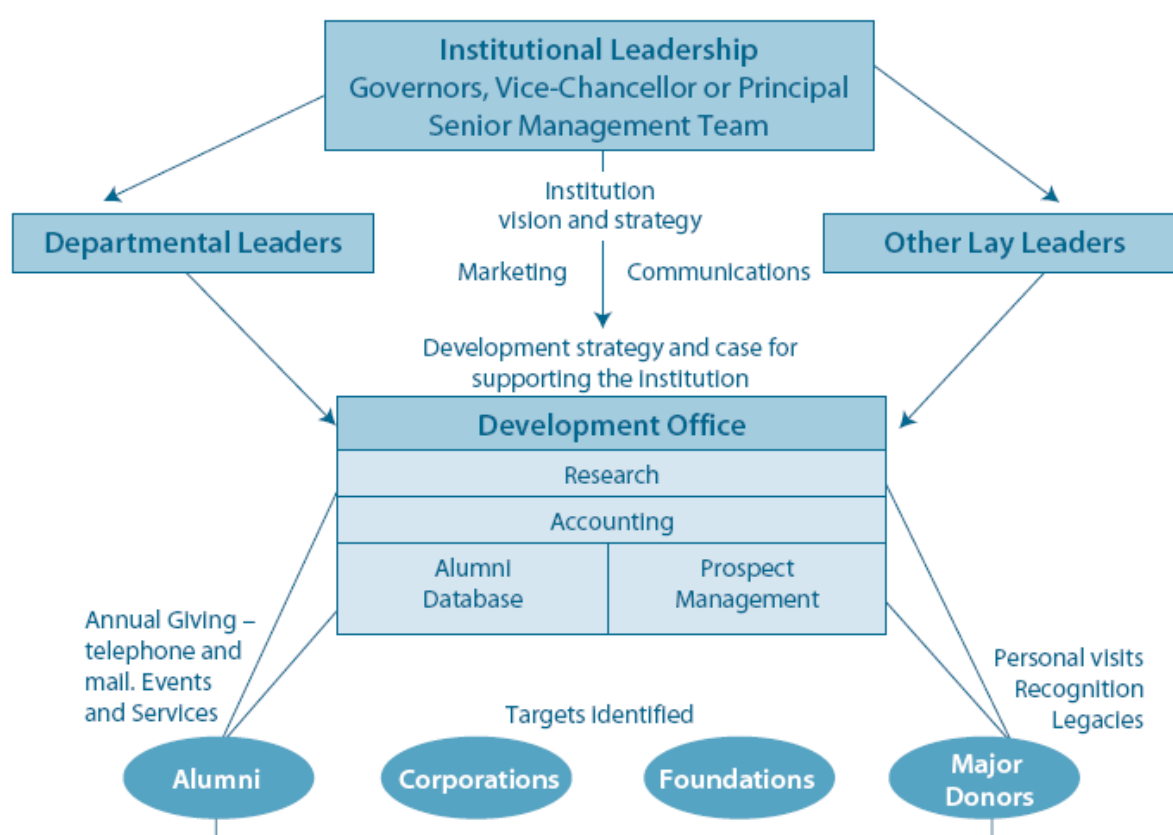
The Campaign goal is 110 million € between 2006 – 2010; 22 million € per year for 5 years (with 330 million € per year for research, which will add 7% to the research budget).

Instead of staffing a complete fundraising unit at the outset, a more modest strategy can be followed by building gradually on small successes. The approach adopted by the Free University of Amsterdam is a reasonable one. It (www.vu.nl) hired a professional with experience in marketing, lobbying, fundraising, relation management and the media to assist it in fundraising. Instead of creating a separate fundraising unit, she was located within an existing university structure, the Corporate Communications Department, at the same hierarchical level as the manager of the department. Initial successes then allowed her to hire

staff and expand fundraising activities. Such an approach is reasonable in situations where more radical changes are difficult to make due to lack of resources or the reluctance of university leadership to invest heavily in fundraising activities.

Typically, fundraising activities are assigned to a fundraising unit or office that is created inside the institution (see Box 2.12 for the fundraising structure at the Karolinska Institute in Sweden). The position of the fundraising office in the organisation chart of the university is important (see Graph 2.1). It has to enjoy the full support and commitment of the university leadership. In this respect, reporting to the President reflects both the commitment of the university leader and the importance the institution attaches to fundraising activities.

Graph 2.1. The elements of an institution's professional fundraising operation



Source: Increasing Voluntary Giving to Higher Education: Task Force to Government, UK.

Investment is required also in the quality of the fundraising team, which has to be dedicated and highly competent. A combination of expertise in fundraising and an ability to understand the dynamics of the academic world is useful. Knowledge of the tax and legal systems of not only their own but also those of other countries is important in order to approach potential donors that live abroad.

A characteristic illustration of the importance of the position of the fundraising unit comes from the University of Edinburgh, one of the first UK universities to start such efforts. As

well as having a well established and supported internal Development Office, this university recently upgraded the position of Director of the Development Office to the level of Vice-Principal.

The fundraising unit has to be able to collaborate closely with several of the university units. Its activities have to be coordinated with those of the corporate communications unit. In addition, the fundraising unit sometimes has to be incorporated with the alumni relations unit to encourage close collaboration and coordination. Particular effort to ensure collaboration is needed where the alumni association of the institution is located outside the body of the university.

The fundraising unit also has to prove its value and bring on board university researchers and professors. Access to the networks and personal contacts of the university leaders, professors and researchers is crucial in order to identify individuals with the potential to become major donors. University staff members also have to be brought on board and efforts made to help them understand the importance of fundraising and the anticipated outcomes of these efforts. Different faculties have to communicate and collaborate well with the fundraising unit as well as among themselves.

Effective communications and good relations between faculty members and fundraisers are crucial. Fundraising teams have to be able to understand and promote the areas of excellence of the whole institution. In this regard, coordination and close collaboration are essential to identify the needs of all faculties and departments, and can even extend to assisting research directors and faculty members to present their achievements in an appropriate way, depending on the fundraising activities carried out. The example in Box 2.13 describes one helpful governance structure.

As noted earlier, more modest strategies sometimes have to be adopted. This can involve hiring and appointing a professional within an existing structure of the university (e.g. a Corporate Communications Dept.) rather than establishing a separate unit. In this case it is essential to develop a good collaboration with the manager of the existing structure. This ‘ally’ can help ensure that internal procedures are followed correctly and can also facilitate contact with the university Board.

Building on past successes can be highly efficient. Major donors that have supported an institution are evidence of successful fundraising as well as good promoters of the university’s excellence. They can serve as lead volunteers or ambassadors of the university, accompanying the university leader when making contacts with potential major donors. In parallel, major donors enjoy being offered an opportunity to play a part in an institution’s strategy development as a reward for their contributions. Setting up committees to contribute to the development of an institution is a way of both pleasing donors and exploiting their value to attract new ones.

Putting a competent fundraising team in place is critical for successful fundraising, but so too is giving them the right tools to do the job. In this respect, experience has shown that it is vital to have only one system where relationship information is kept. Keeping several lists in

several places has disastrous effects, as this is detrimental to consistency and comprehensiveness. Although most universities realise that a single relationship database is desirable, this has not been put into practice everywhere. It is clear that maintaining such a database, both technically and in terms of content, takes a lot of time, and that it is vital for alumni offices and university funds that the system is flexible enough to allow further development and expansion without restriction.

Box 2.13. Governance of fundraising in ESSEC

ESSEC (www.essec.edu) has developed an internal steering committee consisting of the Executive Committee of the university and 4-5 Directors. In its meetings, the fundraising unit presents the current situation and problems, and professors are invited to present their projects. Decisions are taken on which projects to focus on. For the selected projects, the Fundraising Director makes contacts with potentially interested companies. Before presenting interesting projects at the meeting, the Fundraising Director spends significant time with the interested professors in order to help them in preparing the presentation of their projects and also identify potentially interested companies to target.

In addition ESSEC created a Development Committee outside ESSEC, consisting of 30 people (CEO of companies having funded important chairs and also successful alumni members). In its meetings the fundraising director presents the current situation and discusses problems, prospects. The members of this Development Committee provide advice and are also available to ‘open doors’ to potential donors when helping the Fundraising Director.

After the initial phase is complete, i.e. after the establishment of the required structures and embarking on fundraising activities, the cost of fundraising is estimated to be around 20% of the funds raised (20 cents to the Euro). Nevertheless, this ratio is much higher during the initial phase, which can last around 3 years. It is important to set aside the capital necessary for funding the first years in order to be able to continue the exercise for this period even without raising any additional funds. The investment has to be seen as an investment in the institution itself and as a long-term commitment. But the return on this investment is likely to be extremely positive.

The work of the development office does not end with successful fundraising. Evaluating fundraising progress is an important part of their job, using a number of philanthropic benchmarks. Best practice self-evaluation involves the development of indicators covering: institutional development funding; income from development activities; the number of addresses in the alumni database as a percentage of total alumni; the development of a ‘campus culture’ etc.

Box 2.14. The Constituency-based Development Programme at Southampton University

Until now, the University development programme was always a centrally controlled operation; that is, all development personnel were housed and managed centrally, and fundraising priorities were determined from a central standpoint. While the vice chancellor's office has and always will have a significant role in determining fundraising priorities for the university, more involvement of the faculties and schools is seen as crucial to the growth of the development programme and fundraising.

Therefore, the University is implementing a fundraising and alumni relations model with strong central resources (donor relations, special events, annual fund, alumni relations, research and prospect management, corporation and trust relations, and legacy giving) that support front-line development and alumni officers who are housed in, and work on behalf of, the faculties and schools.

Working with deans, heads of school and central administration, the development programme has now implemented a dual reporting structure for constituency-based development officers (fundraisers in the schools and faculties) with direct-line management of these fundraisers belonging to the Director of Development and Alumni Relations, and the indirect reporting mechanism going to assigned deans and heads of schools. For the first time, goals and benchmarks will be established for all development officers with progress to be reviewed on a regular (monthly) basis.

Regarding the annual fund programme, emphasis has shifted from unrestricted giving to supporting more specific programmes and projects that resonate to university alumni – particularly within the programmes from which they graduated. While unrestricted giving is important, and efforts will be made to encourage donors to support unrestricted giving as much as possible, research indicates that significant funds are left untapped because many alumni want to support their former schools and faculties as opposed to unrestricted giving. Working with the heads of school, the annual fund programme has identified several key areas within the schools that alumni can support. Funds collected will be placed in restricted funds and distributed to the schools and faculties throughout the year.

While making all the changes to the development programme, Southampton managed to exceed its annual fundraising goal of £3.0 Million in gifts and pledges. In terms of development costs, for every pound raised, the development programme spent nearly 53p. In ordinary circumstances, these would be rather high development expenses. However, they are in line with what was forecast, especially in light of the infrastructure growth and the hiring of new personnel. Next year the development costs are expected to be around 33p per pound raised, and in 2007-2008, the costs are expected to drop to approximately 21p per pound.

Much patience, devotion and trust is required to build a fundraising effort. However, most fundraisers fear that they will not be allowed to continue their work in the coming years without being hampered by cutbacks. They keep insisting, therefore, that relationship management takes time and money. It is important to see fundraising as a continuum and not stop after the first campaign. Lack of continuity is the greatest threat for nearly all universities, and moreover will lead to considerable reputation damage.

Overall, the evidence presented here points to the need to understand that fundraising activities should be approached as an investment in the institution itself and as a long-term commitment. The fundraising structures have to be in close collaboration with all university services and enjoy the commitment and support of the university leadership. In a certain sense, successful fundraising involves moving from a reliance on an ‘enlightened leader’ to the development of a fundraising structure, even all the way to creating a ‘fundraising machine’, as seen in the very large fundraising operations of the top US universities.

2.5. Getting university governance structures right

Transparent governance is crucial both for universities as well as foundations. Institutions have to be able to demonstrate how investments are made and what the outcomes are. The same stands for openness and accountability, especially for university accounting systems.

Autonomy and independence are two equally important factors in university governance. Autonomy is by no means a simple concept. It implies having an independent governing body (executive authority and autonomy go together); being able to employ people at market rates; using available money as university management sees fit in order to best serve the University purposes as defined; generating income and borrowing money (e.g. via fees (see Box 2.15 in this respect), endowment income, industrial contracts or, more generally, any activities which generate a surplus); investing in money markets; creating chairs etc.

The independence of an institution from the state, however, may not be enough. Attitudes of university people may hinder links with businesses and philanthropic organisations. Universities have to broaden their societal constituencies and implement structural changes to link universities with businesses and social institutions. People and organisations outside universities should be invited to learn about the university and its achievements and make the necessary linkages. Non-academics should be allowed on boards. The governance systems of institutions need to be adapted to meet these challenges.

The autonomy of a university affects the up-take and success of fundraising efforts. For example, institutions with a high degree of autonomy have more flexibility in spending their income on the development of fundraising activities and infrastructures. They can allow non-academics to be included in boards and committees and thus are able to offer major donors such positions as a reward for their donations. They enjoy greater degrees of freedom to attract first class researchers and professors via competitive offers, since they are not constrained by fixed public salary scales. This, along with their freedom to select the best

students, contributes to enhancing their reputation in the long run, which in turn can help attract more donations.

Autonomous institutions can also be flexible in terms of the procedures needed for a donation to be made and can present a variety of products and services to donors for their consideration. They are more dependent on ‘external’ funding, which makes their leadership more committed to make the necessary investments in fundraising. This is understood by donors, who are sometimes reluctant to make donations to public institutions because they feel they have already paid their share through taxation.

Box 2.15. Does having fees help or hinder fundraising?

There is an interesting paradox at work at universities with respect to the relationship between the existence of tuition fees and the ability to raise funds from former students. It would seem that public universities where there are no fees would find it easier to prospect alumni to help their former school. In practice, the evidence suggests rather the opposite. Alumni of public universities feel little incentive in giving for what they believe to be in effect a free good.

Perhaps it is the case that you do not value – and do not give to – what you have not paid for. In this sense, one would expect that students that paid for their education would be more in favour to continue to give to their university. However, even in this case there may be negative attitudes towards giving since some may feel they have already paid their share through the fees during their studies.

The differentiating factor seems to be the degree to which there is a sense of belonging and the degree of gratitude towards the institution for contributing to a successful professional life. This in turn is driven by the degree the institutions care for their students during their studies and the quality of education and services they provide to them. High quality education and services can be linked with the existence of fees but they can also be found (admittedly more rarely) in fee-less, public institutions.

There are many examples of institutions where more ‘entrepreneurial’ approaches and governance structures have led to successful fundraising efforts. A good example is provided by the Technical University of Munich (Box 2.16).

Public institutions are often not allowed to create and/or own an endowment and are thus dependent on the successes of fundraising activities year after year. To overcome this obstacle, such an institution may create its own university foundation (see Box 2.17 for examples). However, this is not the only reason why a university may decide to create a foundation. In most cases, foundations ensure greater independence from the state, are more transparent and accountable in their operations, and allow major donors to be rewarded by involving them in strategy development.

The fact that in many European countries universities are, to varying degrees, under direct or indirect state control often inhibits the establishment of a university foundation. It also follows that, even when this can be achieved, individuals and corporations are often less likely to donate to an institution owned or operated by the state. It follows that a prerequisite for generating charitable giving into research via university foundations involves changes in the institutional structure of the university system, giving it greater autonomy and independence.

Box 2.16. Creating a more ‘entrepreneurial’ governance

The Technical University of Munich has been pursuing a gradual reformation process ultimately designed to transform this state institution into an entrepreneurial university since 1998. In 1998 TUM introduced the first aptitude tests for admission: a two-stage admission procedure of students including a personal interview. 50% of the students are selected in this way. The result was that the dropout rate fell from around 40% to less than 5%. In 1999 TUM was the first university in Germany to embark upon a professional Fundraising campaign.

In addition, the ‘Experimentation Clause’ in the new Bavarian Higher Education Act, which was initiated by TUM, was used to introduce a reform of the university’s constitution. The new TUM organisation model is based on the concept of maintaining a clear division between university operatives (Senior Management and Deans) and the governing body (Administrative Council). The Administrative Council is composed of the Senate (members belonging to the university) and University Advisory Council (external members).

In general, the creation of a university foundation is a model that makes funding more effective, improves long-term financial sustainability and reinforces the dialogue of universities with all other stakeholders. To be created, dedicated university foundations must satisfy certain criteria: they must be private in nature; have assets; their governance structures must allow co-decision by funders; the process of decision making must be absolutely transparent; the foundations only criteria for giving grants should be based on quality; and the possibility of hosting personal foundations should be present.

A university foundation can be funded from a number of sources: from other foundations and associations, private companies, entrepreneurs, alumni, public funds and tuition fees. Funds go either to build up a stock capital or directly to fund projects, endowment chairs etc. The foundation is usually legally independent from the university, but the university and its members – including students – are the sole recipients of the grants given by the foundation. The foundation can also serve as a trustee for other, smaller foundations without a legal capacity (‘legally dependent’ foundations).

Box 2.17. Examples of university foundations

In **France**, the École Polytechnique (www.polytechnique.edu) created a foundation in order to benefit from tax deduction when receiving donations. It was promoted by alumni, who wanted the Polytechnique to have closer relationships with corporations and to develop its international exchanges. Corporate fundraising, in turn, demanded a structure that would enable this type of partnership, thus a foundation. Even if the new law created in 2003 now allows many types of organisations in France to enjoy tax deduction from donations it is still considered better to create a foundation to maximise visibility, transparency, good governance and enabling also donors to be involved.

In **Italy** Fondazione Politecnico (www.fondazionepolitecnico.it) is a private non-profit organisation controlled by the Polytechnic of Milan but its governing structures include all major stakeholders in the region of Lombardy, i.e. regional and local authorities of the cities where it operates, chambers of commerce, banks, industries and industry associations. These actors contribute to the definition of its strategy. There is also a partnership with public and private institutions as well as SMEs and industry associations.

In Italy, 11 University foundations have been established by Law 388/2000 for the creation of private law foundations (with public and private partnerships) generated by public Universities: 2 in Milano (Politecnico and IULM); Modena; Salerno; Chieti; Teramo; Aquila; Ancona; Ferrara; Perugia; Reggio Calabria. Another 4 foundations have submitted the request to the Italian Ministry of University and Research (MUR)

In **Germany**, several universities are planning to operate as independent foundations. This has been made possible by a substantial gain in autonomy, achieved in the last 10 years by reforms of federal higher-education-framework-laws, the reform of the federal constitution in 2006 and reforms of individual state laws. A growing number of universities start university foundations in order to improve science and research as well as education. In many cases, as for example for the University of Applied Sciences in Muenster, the university foundation is an integral part of a professional fundraising strategy.

A number of universities in **Canada** have formed foundations to be their primary fundraising arm (e.g. York University in Toronto.) A major benefit has been one of autonomy from personnel practices on the campus. This is particularly true in relation to institutions when collective bargaining units have been seen as a barrier to Development initiatives. Only a distinct minority however, have taken this route when expanding Development programmes.

University foundations have a number of positive aspects when it comes to fundraising: they provide the visibility and transparency donors often demand and the sustainability and continuity of cash flow required by universities. They also benefit from tax incentives and help strengthen a university's profile. (See Box 2.18 for an example of how a particular foundation – Stifterverband in Germany – helps selected universities that have attained a high

level of independence, as well as Boxes 2.19 and 2.20 for examples of university foundations in Belgium and France).

The logical next step from the creation of a university foundation is turning a university itself into a foundation. The legal construction of a foundation university is one where the foundation holds all the assets of the university (movable and immovable), but the university as a corporation exists next to the foundation. The main argument in favour of such a solution is yet again a gain in financial autonomy from the state; absence of government influence concerning human resources, property, academic and student issues. The overriding principles are self-government and self-obligation.

Box 2.18. Stifterverband and the ‘deregulated university’

Germany’s Stifterverband uses a plethora of programmes, instruments and strategic approaches to promote science. Through its funding programmes it strives to improve the structure and efficiency of higher education as well as internationalisation and communication between industry, society and the scientific community. Benchmarking and developing model solutions (also known as best-practice-solutions) are key elements in its approach.

One of Stifterverband’s programmes is called ‘The deregulated university’. With this programme, Stifterverband – together with its cooperative partner Heinz Nixdorf Foundation – promotes and networks selected model universities that – through laws or rights permitting experimentation – have attained a high level of independence. In a benchmarking club, members are developing a code of good governance for deregulated universities.

Originally, the programme was based on a set of guidelines that was put up by an expert commission in 2002. They serve as a criterion for the evaluation and comparative study of state university laws. As a result, a ranking of state university laws was established, regarding their ability to provide universities with a deregulated legal framework, autonomy and the competitiveness. Since then, state lawmakers in almost all German states turn to Stifterverband’s guidelines, whenever they amend university laws.

The universities that make use of these newly achieved freedoms, are being supported by Stifterverband, as they are driving forces and role models: They will further the transformation of universities from subordinate government bodies into competitively financed, independent institutions. Stifterverband helps them by providing a so-called benchmark-club as a platform for the exchange of experience, strategies and problem solutions comprising HR-development, fundraising and the most effective usage of funds. Eventually, this programme leads to a visible and sustainable improvement of the German higher education system.

It is recommended that universities to start foundations to complement their fundraising strategies. Universities should also be given the right to operate as private and independent foundations because this means a gain in autonomy from the state and improved possibilities for the integration of external partners and funders; but the legitimate interests of academic staff, students and also the state must be protected by a regulatory framework.

Box 2.19. La Fondation Louvain: a case study in Belgium

The Catholic University of Louvain in Belgium is nearly six hundred years old and is thus one of the oldest universities in the world. In the 1960s, it was split in two, with the French-speaking Université Catholique de Louvain (UCL) relocating to the new town of Louvain-la-Neuve. It is a large 'private' university – independent from the state – in Belgium, with 10 faculties on 2 sites, 21.000 students, 500 full-time professors plus 850 part-time, 1650 researchers, 2000 staff, a budget in excess of 300 M€; as well as 2 hospitals with 1200 beds, 320 doctors, and a budget in excess of 350 M€.

The impetus for fundraising was creating an *Aula Magna*, a major assembly hall in which the grand ceremonial occasions of the University could take place in the new university town, Louvain-la-Neuve. A feasibility study undertaken identified potential donors – 120.000 alumni in 100 countries. Interviews with alumni showed they had no fondness for bricks; 'their' university must be present in Europe; hold up its reputation; modernise; build a new relationship between university and enterprise; generate new ideas for cooperative research.

The Fondation Louvain was created not as a separate legal entity but rather as part of the University (since the University has tax-exempt status) with well-known external leaders (Davignon, Moulaert) and a professional team; the aim was to give UCL 'the means of its ambitions' (chairs for anticipating retirements; research budgets for new professors; renewed educational methods with IT; and the Aula Magna project).

The official financial objective set was 25 M € and a 3-year official campaign was launched in 1999. The 1st anniversary report was in September 2000 with 12 M € (32% private, 68% from enterprises; 39% for chairs, 45% for research; 5% for Aula Magna – inaugurated May 2001); in December 2002 the total funds raised attained 19 M €. A second 3-year 6 million campaign, with stronger participation from alumni, was a success.

Conclusions: a professional approach; strong involvement of university leadership and management; good outside leaders; attractive program; cultivation of major donors; signs of recognition; creation of a true network.

Box 2.20. Fondation Supélec

- **Supélec** is a French engineering school with a not-for-profit structure. Funding: 50% from state; 40% from industry (from mandatory giving to education); 10% from tuition. 35 million Euro yearly budget. Total 2007-08 students: 1552; Faculty: 160; Total teachers: 700; Ongoing PhDs: 248; 585 publications, 15 patents
- **Fondation Supélec:** Created in 2003 by ABB, EDF, RTE, Schlumberger, Schneider Electric, FIEEC and the Supélec Alumni association to support Supélec development and international reach. It is an endowment foundation. Long term ambition is to supply 20% of school expenses, along with 40% from State and 40% from own resources
- **Missions:** Financial support to new research and education projects; financing of fellowship for students and researchers; support faculty and researchers exchanges; contribute to the internationalisation of Supélec
- **First results:** First 3 years campaign raised €11,7 M (volunteers only); 2006 support of 3 PhD research and 2 visiting professors; professional fundraising group established.

Chapter 3. Four models of university fundraising

The last chapter focused on some of the generic lessons for universities involved in fundraising from philanthropic sources. In this chapter we focus specifically on the raising of funds for research, and especially on four fundraising modes identified by the Expert Group during the course of its work.

3.1. Identifying the four models

The task of identifying and describing different models of interaction between universities and philanthropic organisations in their efforts to raise funds for research was part of the mandate of the Expert Group.

Fulfilling this involved listening to and discussing invited presentations from specific stakeholders; interviews with the representatives of 34 stakeholder organisations, including university representatives, foundations, corporate donor organisations, other philanthropic bodies and consultants (see Page 5 and Annex Table 3 to this report for a full list of the stakeholders consulted); and a questionnaire to universities distributed via the European University Association. The response to the questionnaire, however, was too low to analyse. The content of this chapter is thus based on the presentations made to the Expert Group and the information and views gathered through personal or telephone interviews.

The ways in which universities interact with donors and the success of these interactions in terms of fundraising were expected to vary widely. The questionnaire and the interviews¹⁴ were designed to collect information along a number of dimensions characterising:

- The size of universities (in terms of annual income, expenditure and student numbers);
- The distribution of income from various sources and expenditure on academic staff, administrative staff, research etc;
- The nature of the university (in terms of emphasis on teaching and/or research; its public/private status; and its autonomy);
- Prior experience in fundraising from philanthropy (for research and other uses);
- Sources of philanthropic funding (e.g. alumni, individuals, corporations, foundations);
- Types of philanthropic contributions (e.g. one-off or regular cash donations, capital assets, competitive awards from foundations);
- Internal structures for raising funds from philanthropic sources (e.g. university development offices; alumni associations; dedicated internal foundations, individual academic staff);

¹⁴ The list of themes discussed in the interviews is attached in Annex Table 4. The questionnaire is reproduced as Annex 5 to this report.

- Modes of funding philanthropy-related activities (e.g. from general funds, from loans, from past philanthropic donations);
- The uses of funds from philanthropic sources (e.g. for research, new buildings, new staff, contributions to running costs);
- The designation of funds (by the university; by donors etc.);
- Specific research-related uses (e.g. contributions to generic research funding; new chairs; specific projects; infrastructure; new equipment);
- Fundraising strategies (e.g. fundraising campaigns; strategies for different donor types; reward systems for staff attracting donors);
- Impacts of philanthropic funding on research activities.

Data were also collected on a range of factors likely to affect the success of university-donor interactions, namely:

- The autonomy of universities;
- Levels of transparency and accountability;
- The commitment levels of academic leaders, academic staff, administrative staff etc;
- The existence of dedicated structures for raising funds from philanthropic sources;
- The competence of fundraising staff;
- External macroeconomic, fiscal and regulatory environments;
- Government schemes;
- Cultural attitudes to philanthropic giving.

From the data collected, it was possible to identify four dominant modes of interaction. These are primarily characterised by:

- Donor types;
- The university actors taking the lead in philanthropic fundraising;
- The degree to which specific donors are targeted;
- The extent to which donors specify the use of donations.

The formality of donors' procedures and the research specificity of the fundraising activities of universities were also identified as subtler differentiating features.

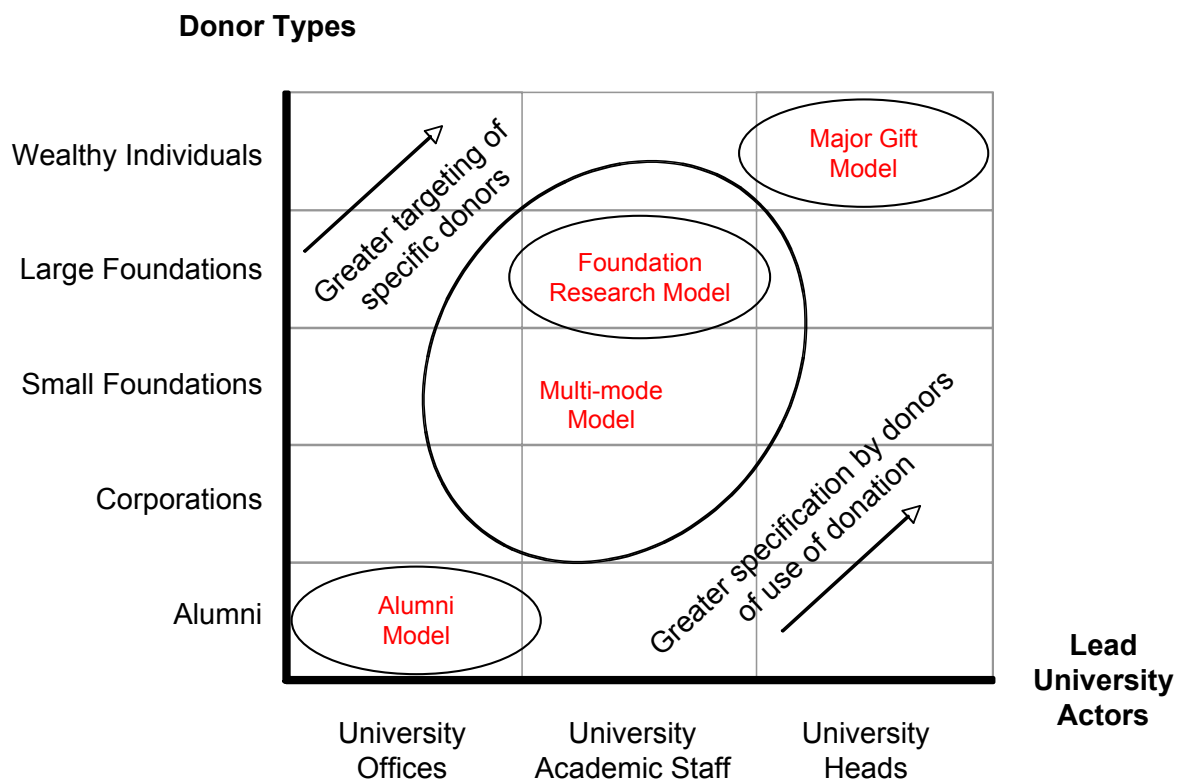
Figure 3.1 locates these four modes of interaction or 'models' in a matrix defined by different donor types along one axis and the different university actors taking the lead in fundraising along an orthogonal axis, with the targeting of specific donors and the degree to which donors specify the use of donations increasing as one shifts upwards and to the right.

The four models have been labelled:

- **The Major Gift Model;**
- **The Foundation Research Model;**
- **The Multi-mode Model;**
- **The Alumni Model.**

At one end of the spectrum, the ‘Major Gift’ model focuses on the efforts made to attract donations from extremely wealthy individuals. This model represents the dominant fundraising approach of most universities. It is characterised by the commitment of the university leadership to the process and the development of personal relations with wealthy individuals. The donations targeted under this model are generally larger than those targeted by the other models and their use tends to be highly specified by donors – as long as this use is in line with the overall strategy of the university.

Figure 3.1: The models of interactions between universities and private donors



At the other end of the spectrum, the ‘Alumni’ model refers to the continuous collection of quite small donations from a large pool of university alumni and the associated hope that “Great oaks from little acorns grow”. The lead university actors in this model are generally the staff in university services such as alumni relations offices or dedicated fundraising units. The use of donations is typically non-designated, the criteria for making donations are

personal and dependent on the interests and wishes of each individual donor, and interactions with potential donors are structured but informal (e.g. mass mailings, e-mails, etc.).

The ‘Foundation Research’ model is the one that most resembles the ordinary, everyday activity of researchers seeking funds. Typically researchers make applications for grants from research funding bodies. Many of these are public institutions, but frequently applications are also made to some of the larger and more well-known foundations, whose funds typically stem from philanthropic sources. The lead university actors are thus individual researchers and professors, and application procedures are highly formal and structured, involving strict rules of procedure and highly specified selection criteria guaranteeing that the use of funds is in line with the foundation’s aims.

Finally, the ‘Multi-mode’ model reflects activities that involve a medley of both sources of funds and university actors, with different options available for universities to choose from. It bears some resemblance to the ‘Foundation Research’ model in that it can involve university professors seeking funds for individual research projects from some of the smaller and less well-known research-funding foundations. It can also involve approaches to these foundations and to corporations for philanthropic donations of a more general nature, often made not only by university researchers but also by university offices and even by university leaders.

All four models are usually present in institutions that have a tradition of philanthropic fundraising. It is not necessary, or perhaps even desirable, for universities attempting to raise funds from philanthropic sources for the first time to devote equal amounts of effort to all four modes simultaneously, but it is advisable for universities to have a long-term vision that eventually accommodates all these models.

In the remainder of the chapter, we discuss some of the lessons for fundraising within each of the four models. For each model, the information is categorised under three sub-headings: donation characteristics; strategies, structures and processes; and model specific success factors and lessons learnt.

3.2 The ‘Major Gift’ model

Donation characteristics

This model concerns fundraising activities geared towards large donations or ‘major gifts’. The target group is wealthy individuals and businessmen able to make these donations in several forms (i.e. cash, gifts, bequests or legacies). They are usually approached either directly or through foundations they may have created. They may or may not be alumni.

The aim is usually to capture large donations capable of having long-term impacts. Chairs can be funded for a number of years, large research projects can be conducted in areas of interest, and investments can be made in new buildings and infrastructures. Different donors usually have different types of donation in mind. Corporations, for example, are often more interested in funding research chairs rather than in contributing towards infrastructures. A general rule is

that potential donors typically wish their donations to be directed towards specific things. The case of the Jacobs 'general' donation (Box 3.1.) is an exception to this rule.

Box 3.1. Jacobs University Bremen

Given the decreasing funding and the changing conditions in higher education, the Jacobs University Bremen (<http://www.jacobs-university.de/>) decided in 2006 to try and ensure its needed funding through philanthropic sources. Philanthropic sources were already a source of income even before this point in time but with smaller donations. The efforts lead to the biggest donation made to a university in Europe, 200m€ by the Jacobs Foundation.

The arrangement is that the university will receive the amount of 15m€/year for five years in a row and after this period, provided that it manages to match these sums with own funds (and thus achieve sustainability and gradual independence) it will further receive the remaining 125m€ as an addition to the existing endowment.

A mutual agreement was achieved between the two sides in relation to the definition of the university's profile, goals, and education/research areas. In honouring the Jacobs Foundation and in ensuring sustainability of this funding in an indirect way the university changed its name to Jacobs University Bremen from International University Bremen.

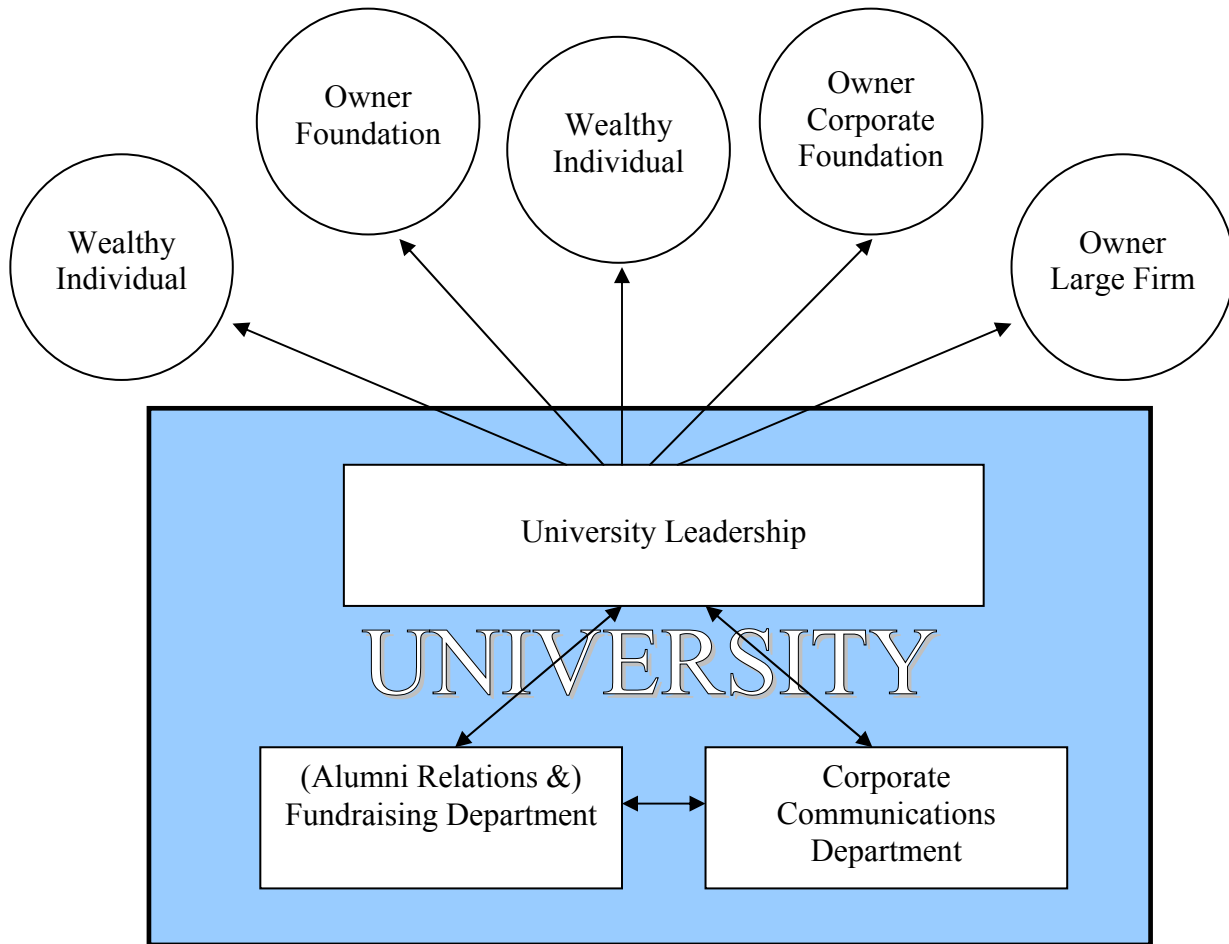
Strategies, structures and processes

The usual approach involves building and maintaining a customer-client relationship. Potential donors with priorities in line with those of the institution are identified and efforts made to explore mutual interests and benefits and to find common ground upon which to start negotiations and reach agreement. This model is characterised by the importance of personal relations and the networking of university leaders with wealthy individuals and owners of large corporations (see Figure 3.2)

Communications occur at the highest levels of authority/leadership (i.e. between university presidents, or equally high-level representatives, and the wealthy individuals or presidents of foundations and corporations targeted). A general rule is that the larger the donations sought, the higher the level of hierarchy that has to be involved. Contacts are usually face-to-face and informal rather than formal or distant. Throughout the whole communication process, it is important that each donor is contacted by only one representative of the university, typically the President.

The frequency of such interactions depends on the intensity of effort universities put into fundraising. In most instances, universities make the first approach. Prior successes and the acknowledged excellence of a university, however, may entice individuals interested in supporting the institution to make the first contact.

Figure 3.2. The ‘Major Gift’ model



It is important for the university leadership to be well supported when establishing links with potential donors. This support function is typically assigned to structures that are created internally within the institution. Examples include Corporate Communications Units and Alumni Relations & Fundraising Units, which typically report directly to the university president. Apart from facilitating direct bilateral communication between the university leadership and potential major donors, these units are also often responsible for organising events designed to promote the institution’s successes and attract prospective donors (for an example see Box 3.2).

After mutual interests have been identified, a negotiation phase is needed to specify the particularities of the intended donation (e.g. type and level of donation, contract particularities, timing of donation). Even in this phase, communication is continuous at the highest levels of leadership. Donors have to be satisfied that universities meet their expectations in terms of excellence and can be differentiated from other potential

beneficiaries. In the last resort, however, the decision to support or endow one particular institution rather than another is often swayed by sentiment rather than hard facts.

Box 3.2. Bucerius Law School

The Bucerius Law School (www.law-school.de) holds so-called ‘strategic rounds’ where the university leadership and potential major donors are brought together in order to learn about the university achievements, get informed about the interests of the university and its strategy, exchange ideas and find possible common ground and interests for collaboration. From the different types of potential donors, it is the law firms that are interested in the alumni (future employees) while foundations and other philanthropic organisations are interested to fund new ideas and developments.

Contacts with donors also have to be continued once an initial donation has been made. Rewarding donors and maintaining good relations is of major importance. In this context, major donors can be invited to participate in special events. These can be celebration events or ‘scientific’ events such as research exhibitions and conferences, where donors can be invited to give speeches. Linkages with firms, for example, can be maintained by inviting high-ranking people from industry to give lectures. Events such as these also offer industry an opportunity to identify talented students and allow students to meet potential future employers.

Model specific factors and lessons learnt

The commitment of senior leadership to fundraising activities is crucial. The necessary time and resources have to be invested to make contacts and nurture relationships outside the university. For each potential donor, a lot of effort and time is required to produce a successful outcome. Nevertheless, it is worth the effort as usually success attracts other donors and makes future efforts easier.

For wealthy individuals within the ranks of an institution’s alumni, a binding relationship has to be established and maintained prior to any fundraising activity. This can start with the provision of regular information about the institution’s achievements and development strategies, plus invitations to celebration events. It is also important for an institution to find ways of rewarding these individuals if they decide to donate major gifts. The Technical University of Munich, for example, has honoured around 200 alumni members with the title of ‘Excellent Alumni’ of the institution.

The role of the President and the commitment he or she has to the whole cycle of interaction with donors, from the initial contact to the end of the negotiation phase and beyond, is crucial, but so too is the efficiency and competence of an institution’s support teams. Close

collaboration and coordination between the internal structures supporting the leadership is an important success factor.

It is important to define a strategy and appropriate management structures for fundraising, especially for efforts to attract major donors. The strategy has to differentiate between different groups of major donors (wealthy individuals, foundations, corporations) and cater for the idiosyncrasies of individual donors within these groups. Management should be central and coordinated rather than based on the individual initiatives of professors and researchers. However, fundraising strategy should be the ‘servant’ of the university strategy and not the other way around. Research should not be driven by the availability of funds.

In the case of major donations, there may be concerns about the extent of a donor’s interference with a university’s autonomy in the development of its overall strategy. Naturally some degree of compromise is inevitable when both sides are exploring mutual interests and benefits, but generally there is little evidence that donors actively seek to exert an undue influence on university strategy formulation, or that universities are prepared to succumb to such pressure.

The ‘Major Gift’ model is most developed in universities that acknowledge the importance of philanthropic fundraising and create appropriate internal structures (e.g. fundraising and corporate communications units). It is a model more frequently seen in private universities than public universities. Typically these are more flexible and independent than public institutions, a fact that allows them to discuss a greater range of specific projects and services when negotiating with potential donors. They are also able to involve donors in the institution’s committees. In parallel, they are more dependent on ‘external’ funding, and thus more committed to make the necessary investment into the development of an appropriate fundraising infrastructure.

3.3 The ‘Foundation Research’ model

Donation characteristics

This model typically prevails when individual researchers or university authorities target large foundations (including corporate foundations) when seeking support for their research-related activities. It is characterised by the formal procedures, rules and criteria preset by the larger foundations. The sums awarded are often substantial but typically less than those associated with the ‘Major Gift’ model. Donations typically take the form of grants for research projects in a given area of interest, but can also be used to support scholarships or PhD programmes, according to the mandate, goals and interests of the foundation.

Strategies, structures and processes

Identifying areas of common interest between the university and various foundations is again a prerequisite. Information on the research areas and programmes supported by foundations is

usually to be found on their web sites or is proactively disseminated by foundations at regular times to universities and research organisations. In certain cases, when contemplating the launch of a new programme, foundations may contact potential applicants to ascertain the likely demand for the new programme.

The major actors in this model on the university side are the individual researchers and professors seeking ways to fund their research activities. Communications are usually initiated when they target foundations likely to support projects in their main areas of research interest. There may also be cases where foundations interested in investing in particular research areas target specific universities that demonstrate excellence in these areas. In such cases, the foundations usually make the initial contacts with the university leadership.

Some foundations (like the Wolfson Foundation – see Box 3.3) communicate with the highest levels of university leadership in order to ensure the support of the university authorities. But even in these cases, at the end it is the reputation and competence of the researchers and professors that submit the applications that really count.

Box 3.3. The Wolfson Foundation

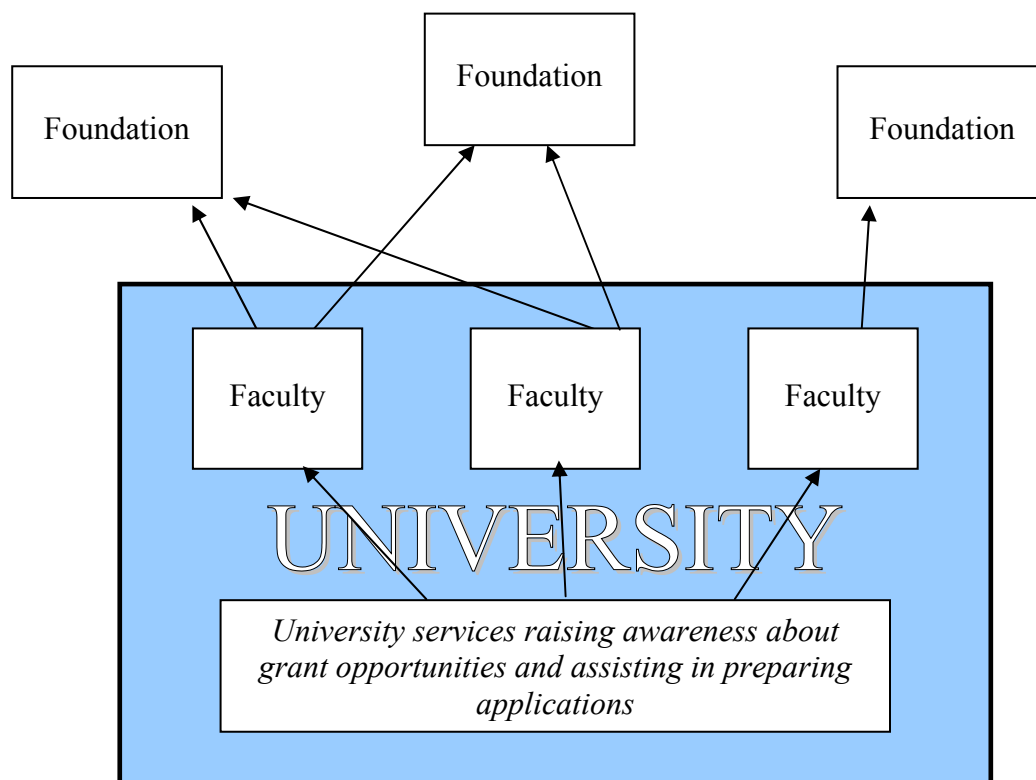
The Wolfson Foundation (www.wolfson.org.uk) issues guidelines asking specific information about what the university aims to do, prior achievements, future research directions, referees, CVs of the professors and researchers involved. A financial appraisal is also asked to ensure financial viability of the receiving organisation. In addition, the guidelines require a description of the project in lay language so that the foundation is able to use this description in promoting their achievements in meeting societal needs.

After the initial contact and identification of common areas of interest, the usual route is to follow the application procedures set by the foundations. Personal relations may play a role, but not as much as in the ‘Major Gift’ model. At the end of the day, the formal procedures, rules and criteria set for awards still have to be followed and met. The selection criteria are based on the foundations’ rules and aims and the usual method of selection involves peer review. In some foundations, a second step in the evaluation may involve personal interviews with the most highly rated applicants. Although a variety of criteria exist across different foundations, the underlying aim is typically to invest in ‘excellence’.

This model depends on the initiatives of individual researchers and professors. In this respect, the organisation and management of interactions is on a personal and *ad hoc* basis and occurs whenever interested individuals seek funds to support their research. Specific internal structures such as fundraising units thus play a more modest role than in some of the other models.

That said, such units still have a critical role to play in terms of disseminating information about the support provided by foundations. Internal university units can raise awareness among researchers about opportunities for grants. These units can also provide assistance to interested researchers and professors when preparing their grant applications. The Research Initiative Office of the University of Edinburgh (www.ed.ac.uk), for example, collaborates directly with the university's faculties when they define their research programmes and wish to find financial support. Similar units exist in many universities, operating under names such as the Service Centre for Research Grants, the Department for External Relations, or the Office for the Support of Researchers.

Figure 3.3. The 'Foundation Research' model



Model specific factors and lessons learnt

To exploit 'Foundation Research' opportunities, it is essential for a university to have internal structures that aim to establish contacts with external institutions, disseminate information about the possibilities for grants and assist interested applicants in preparing proposals. In this sense, university leaders can play an important role by creating such structures if they do not already exist.

Concerns about the extent to which university research is driven by the priorities of foundations are rare. The priorities and interests of foundations can be determined through their web sites and annual reports prior to initial contacts. Where there are no common interests, application procedures are not initiated.

However, some concerns about IPR issues have been reported. In most cases, large foundations with fixed rules have a clear approach to the management of IPR and these are made known to interested applicants from the outset. Nevertheless, a foundation representative reported that IPR issues are rarely communicated in advance by universities, which can lead to conflicts that are difficult to resolve afterwards. On the other hand, a university representative noted there was a need for foundations to help universities ensure that IPR issues and their management are tackled in the desired way.

3.4 The ‘Multi-mode’ model

Donation characteristics

The ‘Multi-mode’ model describes a variety of different types of interaction between universities and a broad range of foundations and corporations willing to act as sources of philanthropic funds. One important sub-set of this range includes the interactions described in the ‘Foundation Research’ model, i.e. the rather formal interactions between the larger foundations and individual researchers applying for grants.

In contrast, the ‘Multi-mode’ model refers to the more varied sets of *ad hoc* interactions that characterise the relationships between various types of university actor (university leaders, administrations and academic staff) and many of the smaller foundations and corporate sources of philanthropic funding – many of whom have less formal and regimented sets of procedures governing their distribution of philanthropic funds. Figure 3.4 shows all the possible interactions that can occur in the ‘Multi-mode’ model, but only those not already described in the section on the ‘Foundation Research’ model are described here.

Smaller foundations generally make smaller donations and have lighter bureaucratic structures than larger foundations, often being run by a few individuals, including the owners. The size of a foundation influences the projects and services that it can support. This often means that they have a greater focus on support for short-term research with more immediately visible impacts. As in the ‘Foundation Research’ model, donations and grants are usually oriented towards specific things (e.g. chairs, PhD programmes, scholarships, small research projects), with corporate donors often interested in funding activities that enhance their access to potential future recruits.

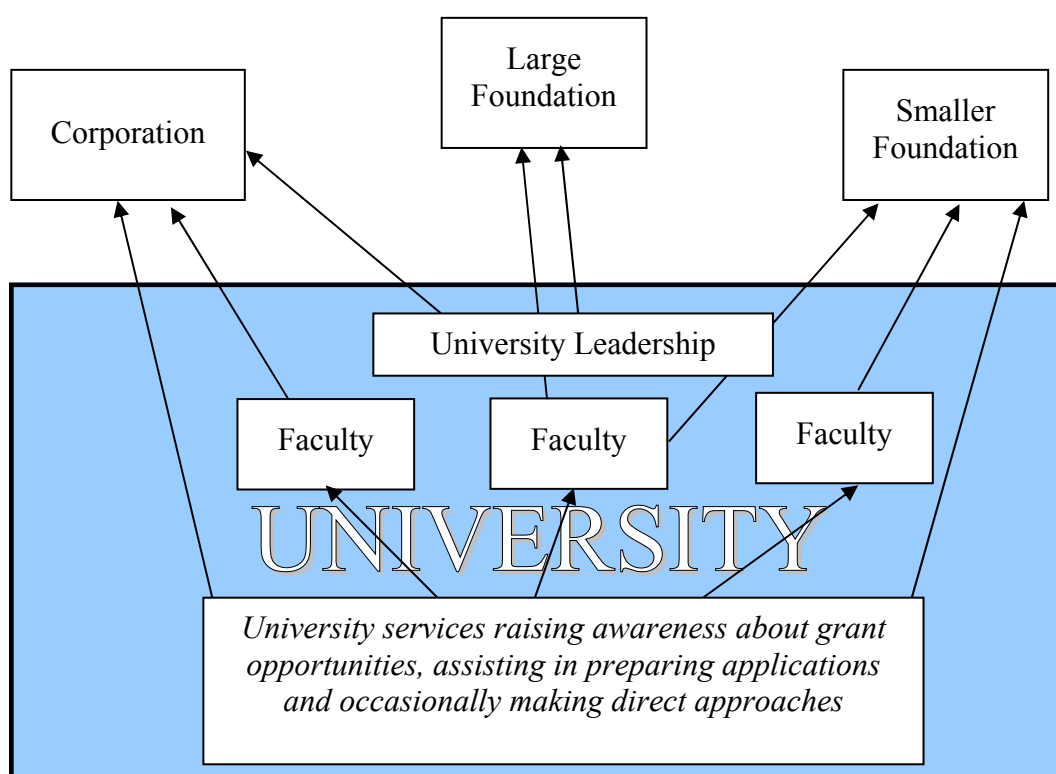
Strategies, structures and processes

This model is mixed in terms of structured and unstructured (or formal and informal) interactions, communication patterns, application procedures and selection processes. Some small foundations do have formal application and selection procedures involving peer review processes, but this is not necessarily the norm, with the activities of many small foundations characterised by ‘informal’ procedures based on personal networks and contacts. Even in the

those cases where formal processes are in place, important elements of personal interaction exist as long as minimum prerequisites and criteria are met.

Some foundations do not have fixed strategies and priorities concerning the areas or programmes they wish to invest in, making flexible decisions in the light of what other foundations do and after discussions with board members. Decisions are often dependent on the personal wishes of the leader of the foundation, or those of key people on its board. It is these people that interested professors and researchers need to target and contact.

Figure 3.4. The ‘Multi-mode’ model



Box 3.4. Operation of Italian Banking foundations

The Association of Italian foundations and Savings Banks (ACRI – www.acri.it) reported one-to-one contacts as more frequent than formal calls for proposals in the case of Italian Banking foundations. This is driven also by the fact that the Italian foundations have their own ‘territory’ to operate, which may have only one university, and thus people know each other (apart from the fact that university people are usually included in the foundations governing structures). The ones that are dependent on their ‘territory’ are accordingly interested in impacts that are visible at local level.

Although personal relations are important, just as they are in the ‘Major Gift’ model, the levels at which interactions occur vary. Communications can be informal, with individual professors and researchers contacting key people within a foundation, or involve more formal contacts between university leaders and foundation leaders. The initiation of communications can also come from either side (university or foundation).

In the case of corporations, however, contacts at the highest levels are often needed. Depending on the degree to which a university targets corporations, a Corporate Relations Unit can also be important. This structure has to cooperate with and support faculty members in their contacts with firms. Additionally, a unit such as this can contact corporations directly to explore opportunities for funding.

Given that this model is characterised by personal relations and interactions between individuals, the timing of interactions is usually *ad hoc*. The model is also applicable to all types of universities (public and private).

Model specific factors and lessons learnt

As for the ‘Foundation Research’ model, university fundraising structures are not considered crucial but internal units can usefully help raise awareness about funding opportunities amongst researchers and professors, since lack of information is a major problem. Universities need to establish contacts and links with external organisations and disseminate available information to interested individuals. University leaders also have to be supportive and make available the resources necessary for the creation of such structures.

The need to tackle IPR issues is imperative here too. Some small foundations have less formal rules and procedures than larger foundations. This can lead to downstream IPR problems and jeopardise projects. Universities and interested applicants often need assistance to ensure that IPR issues are tackled in a commonly agreed way.

3.5 The ‘Alumni’ model

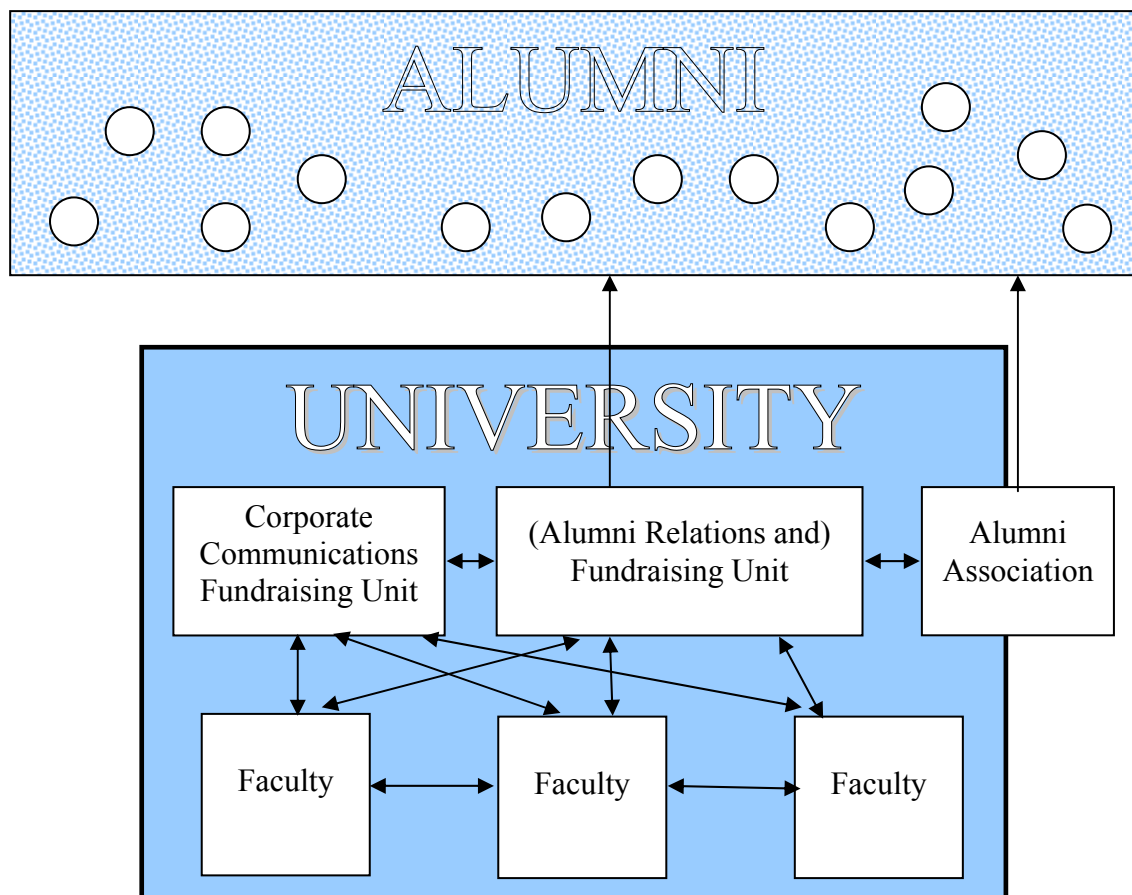
Donation characteristics

This model applies whenever large groups, such as the members of alumni associations, are targeted. The aim is usually to get small donations from a large pool of individuals. In the other models, donations are usually oriented towards specific things (e.g. chairs, research projects) according to donors’ wishes or foundations’ priorities. In the ‘Alumni’ model, donations are typically of a more general, non-specific nature, allowing universities to decide which needs to cover. Alumni making relatively large donations, however, may express a preference to support specific things, often related to alumni events, services and infrastructures.

Strategies, structures and processes

The strategy applied in this case is akin to direct marketing but the approach underlying it is not that of an impersonal promotion of a product or a service. It involves more personalised attempts to evoke an emotional response, trying to remind and persuade alumni members of the value of their university and the opportunity they now have to express their gratitude and pride by offering their support.

Figure 3.5 the ‘Alumni’ model



Communications usually start at the university side and are carried out at regular intervals (e.g. annually). They are distant (e.g. mass mailings, e-mails, telephone calls) rather than face-to-face. This task is carried out by the staff of a fundraising unit, or by the alumni relations unit if a fundraising unit is not a separate structure. University students may also be called to engage in this task as volunteers.

A fundraising unit, as in the ‘Major Gift’ model, is a structure internal to the university and it is important for it to cooperate closely with the alumni association, which may be an internal structure of the university or a totally external and independent structure. In both cases, close cooperation and coordination is crucial as fundraising activities depend on the existence and quality of databases containing contact and other data on the alumni members. These databases are usually developed and maintained by the alumni association.

Cases have been reported of problematic collaboration with alumni associations, especially those external and totally independent from the universities in question, not willing to make their databases available. This attitude, however, may be symptomatic of a wider resistance to the fundraising efforts of universities and has to be analysed as such and not in isolation.

The ‘Alumni’ model can be and has been applied by all types of universities, public and private. Within it, however, the decision to make a donation is more personal and emotional than in the other models described, with the criteria used by donors varying widely from one person to another.

Model specific factors and lessons learnt

For this model, the existence of an appropriate internal infrastructure (e.g. updated alumni databases, a well established and staffed fundraising office) is crucial, as is close collaboration and coordination with the alumni association. In those cases where the alumni association is an independent body external to the institution, a strategy designed to establish and maintain good relations between the institution and the alumni association has to be developed.

In this respect, the commitment of the university leadership is important, but not as vital as in the ‘Major Gift’ model. In the ‘Alumni’ model, rather than devoting personal time to making contacts with potential donors, the leadership’s commitment is needed to ensure that mass fundraising efforts are well resourced.

Building and nurturing a good relationship with alumni members has to start early, preferably when they enter the university as students. Favourable attitudes towards giving should be fostered and nurtured from the start. Voluntarism, i.e. the idea that voluntary contributions and other forms of assistance are needed to keep an institution in existence, has to be cultivated at this stage (by encouraging older students to help younger ones, for example).

When weak or non-existent, relations with alumni members first have to be built before any fundraising activities can be targeted at them, but the creation of emotional bonds with ex-students takes considerable time and effort (see Box 3.5). Special approaches akin to those found in the ‘Major Gift’ model also have to be adopted when building relationships with the wealthier and more successful alumni members.

Box 3.5. Targeting alumni at the Technical University of Munich

The Technical University of Munich (<http://portal.mytum.de/tum/index.html>) although quite successfully engaged in fundraising activities since 1999 has not yet targeted its past alumni. The TUM Alumni & Career Service first launched KontaktTUM. This is the interdisciplinary, worldwide alumni network of TUM, inviting all past students, teachers or researchers to

register and also receive the alumni magazine and up to date information on the network and the institution on a regular basis and free of charge.

This network has now grown to over 27,000 alumni. The approach is first to make them aware of the institution's achievements and start developing a close relationship with them built on their pride of having been part of the institution. It is after this relationship is built and maintained that they will be targeted to support the institution.

Chapter 4. Getting the external environment right

The previous chapters have focused on identifying ‘best practices’ in university fundraising practices and governance, both in terms of specific successful examples, as well as by developing four distinct models of interaction of universities with potential donors. The success of fundraising efforts however also depends on the external environment to the university. Public policies supporting efforts to raise funds for research from philanthropic sources, in particular fiscal incentives and matching fund schemes, clearly play a role.

4.1. The impact of different taxation systems

Fundraising is affected by the tax system and particularities in terms of the ability and degree to which the value of donations can be deducted from the income of an individual or an organisation. There exist in fact large differences in tax treatment across countries or even within a country (between the different Landers in Germany for example)¹⁵. On top of that, the treatment between national and cross-border philanthropy is not equal. This limits the possibility to seek donations abroad and is an important obstacle especially for institutions with international students or alumni members that moved to another country. (Box 4.1 below presents some dimensions of the different taxation of foundations across countries).

In addition to general principles and differences across countries however, it is also affected by very specific features in the tax system of individual countries that can hinder or help universities attract donations and use them in a cost-effective manner. (Boxes 4.2 and 4.3 below illustrate this in the case of the UK and France)

In general, it is widely believed that the tax system in the United States is more favourable for making donations than in several European countries. However, it is also true that in several countries (like Italy, Germany, France) the situation is improving with the tax and foundation law becoming more favourable to philanthropic giving. At the same time, in some countries the financial law is changing quite quickly (as in Poland), with new changes diverging from previous ones, which creates problems in the operation of foundations.

The tax environment is clearly not the only criterion affecting philanthropic giving or even the primary one. It may influence the amount donated but other factors are playing a more crucial role. Surveys in reasons why people give to universities reveal that the tax incentives rank quite low even though they refer to the U.S. where taxes are considered more favourable for philanthropic giving. The three most important reasons stated are their belief in the mission, the leadership and the financial and fiduciary integrity of the institution. It is first crucial to make people interested; the availability and awareness of tax incentives to make gifts follows.

¹⁵ For an overview of the tax treatment of public benefit foundations across the EU (based on 2005 data) see Annex Table 2. The Legal and Fiscal Country Profiles for EU27 (updated versions 2007) on which the table is based can be downloaded from http://www.efc.be/projects/eu/legal/country_profiles.asp#download

Box 4.1. Comparing taxation of foundations across countries¹⁶

- The **fundamental structures** of tax systems are similar across countries: income tax; gift and inheritance tax; VAT on economic activity. Most **specifics** are nationally determined; some EU influence on VAT (e.g. EU Directive on fundamental principles). Some countries moving towards abolishing gift and inheritance tax: Sweden, Italy, Austria
- Public benefit organisations, donors and beneficiary institutions (such as universities) are all **beneficiaries** of tax benefits.
- **Public benefit organisations** have tax benefits in all countries; requirements to get these benefits are quite similar across countries (even more similar than civil law issues)
- **‘Public benefit’** is not exactly defined by law, but quite similar across countries (e.g. ‘science’ universally accepted as a ‘public benefit activity’); ‘Non-distribution’ (of profits) is constraint in operation in all countries
- Rule of **time disbursement** (i.e. when you distribute income) differs across countries: Italy does not have it; in Germany 70% must occur within one year; in the US a certain percentage of the endowment has to be spent every year (even if no income has been generated). In the US public charities do not have a rule of public disbursement but private charities (e.g. Rockefeller) do; this is linked to corporate governance issues
- **Tax benefits** of public benefit organisations: no income tax; gift and inheritance taxes free of tax in almost all countries if there is a donation (for the benefiting foundation)
- Large differences exist between countries in **VAT treatment**, e.g. UK vs. Belgium (in Belgium the university pays VAT but its business partner does not)
- **Donors**: there is more diversity in tax treatment than in the case of public benefit organisations (e.g. Sweden: no tax benefits; UK: extensive tax benefits; in most countries up to 10-20% of income can be donated and receive a tax benefit). Many countries are improving the tax treatment of donors so as to improve the culture of giving
- **Cross-border activities** are usually excluded; tax benefit exists only when donation is directed to a national organisation; but the European Court of Justice is moving to dismantle such barriers based on the non-discrimination rule. Governments would then be required to extend tax benefits given to a national foundation to foreign foundations meeting criteria of national tax legislation. There is however a question whether foundations and tax benefits fall under the 3 EC ‘fundamental freedoms’ as while there is movement of capital, it does not relate to an economic activity. In order to receive gifts from abroad tax-free however, universities would either have to satisfy tax law in other countries or establish branches; cross-border giving will therefore continue to be difficult.

¹⁶ Based on comparative work on taxation of foundations by Thomas von Hippel *et al.*: "Nonprofit-Organisationen in Recht, Wirtschaft und Gesellschaft - Theorien, Analysen, Corporate Governance", Tübingen: Mohr-Siebeck Verlag 2005.

Box 4.2. Issues in Charity Taxation in the UK

The Wellcome Trust, the UK's largest charity, has suggested that there are a number of issues relating to charity taxation, which inhibit its ability to support innovative research, including irrecoverable VAT, anti-avoidance legislation and the tax treatment of both investments by charities and loans to charities. The Trust is also concerned about possible unintended consequences flowing from current infringement proceedings by the European Commission. Some issues are specific to the UK, while others have wider relevance across Europe. The Trust has been involved in discussions with the UK Government about these concerns, mainly through the Charity Tax Group.

Value-added Tax. If a VAT refund scheme were extended to the work of charities supporting major public benefit projects, it would prevent over £400 million in annual charitable expenditure in the UK currently being lost in irrecoverable VAT as a result of charities effectively being treated as end-consumers by VAT legislation. Specific issues include:

- **VAT on buildings.** New buildings can only be zero-VAT rated if they are used for 90 per cent 'non-business' charitable purposes. Income-generating activity is considered to be for a 'business' purpose under VAT legislation, even where that activity is charitable and for the public benefit. The VAT rules also have the potential to limit the scope for much-needed collaboration with other research charities (see below) and with industry on areas of applied research, albeit that such research may be undertaken in a building used otherwise predominantly for public benefit research.
- **Lennartz.** The VAT principles, commonly referred to as the 'Lennartz Principles' after an European Court of Justice ruling in 1991, allow an initial claim for all the VAT incurred on an asset when it will be used for both business and non-business purposes. The VAT relating to the non-business use is then effectively repaid over the life of the asset providing a significant cash flow benefit. The European Commission is proposing amendments to legislation that will remove this benefit.
- **VAT on electronic publications.** Printed publications are zero-rated for VAT while digital publications still incur the full rate of 17.5% VAT; this could impede the progress of the open access publishing movement. Existing zero rating for books will not be extended to electronic media so, unless a charity charges for access, the VAT on electronic books will be irrecoverable.
- **Collaborative working.** Charities working together for a common aim can inadvertently create a VAT charge on shared services and costs as such activity will be regarded as 'business'. To avoid this, charities have to ensure that the structure is carefully modelled, and often charities are forced to create artificial and overly complex structures in order to avoid creating supplies between the charity collaborators. This is both inefficient and costly and creates disincentives to collaboration.

UK anti-avoidance legislation. To combat the situation where charities are used for tax evasion, anti-avoidance legislation has been introduced that is designed to block abuse by

taxpayers. However, in some instances charities, including charitable common investment funds, suffer the tax penalty – even though they are in theory exempted from tax. This legislation therefore has the effect of seriously restricting the ability to invest freely. A charity that has exemption from both income tax and capital gains tax is not motivated by tax savings. Therefore, a solution may be to introduce a motive or purpose test which can be found in other anti-avoidance legislation. Examples of these issues include:

- **‘Bond washing’ legislation.** UK tax authorities argue a charity is liable to tax on UK and foreign dividends arising on shares bought and sold within a 30-day period. This applies even if shares are sold on the stock market by one fund manager and shares in the same company are bought by a second unconnected fund manager, each acting independently of the other. This legislation is catching transactions by charities that were not intended to be limited. UK tax authorities are considering what they can do in this respect but legislation changes would only apply to future transactions.
- **Capital gains on offshore investments.** If a charity holds more than a 10% interest in an offshore company which is ‘close’ (owned by 5 or fewer ‘participants’), gains made by the offshore company are deemed to be gains taxable to the participants. The charity exemption does not apply to deemed gains in this situation. This is a very significant problem for large charities which has either prevented investment or required costly and complex investment structures.
- **Transactions in Land.** If a gain is made on the disposal of property that can be attributed to a development undertaken to maximise the return on disposal, the profit is denied the charity tax exemption. This is despite the fact that the trustees of a charity would arguably be in breach of their duties by not maximising the potential return.

Income Taxes Act 2007. The range of investments which do not require tax authorities’ approval are out dated and should be broadened to include new investment vehicles that a well-advised charity would include in its portfolio.

Tax Treatment of loans to charities. The UK tax system does not provide any benefits for lending money to charities. This is in contrast to the United States where the tax system provides for tax exempt bonds which allow charities to borrow more cheaply.

Alleged discrimination by the Government against non-UK charities within the EC. The European Commission has initiated infringement proceedings against the UK Government by requesting it to comment on the fact that tax reliefs are available on gifts to UK charities and not gifts to charities in other Member States. The Trust is concerned that the infringement proceedings might have unintended consequences and cause the Government to reduce or withdraw tax reliefs or benefits to charities. If, for example, Gift Aid were abolished, this would have a serious effect on the charity sector, including charities funded by the Trust.

Box 4.3. Taxation of university fundraising in France

With the law on philanthropy of 1 August 2003, within the framework of the social cohesion law of 18 January 2005, the French government wished to strongly encourage private initiatives for a public purpose. The HEIs fall now under Articles 200 and 238bis of the General Tax Code.

With tax deductibility rates of 66% for individuals and of 60% for companies making a gift to private or public HEI, France has one of the most advantageous tax systems in Europe for donations. However, the same is not true for alumni associations. Indeed, in a directive of 13 October 2005, the Directorate-General for Taxes considers that alumni associations cannot be treated as ‘public purpose’ organisations because they look after the individual interests of the students and, therefore, cannot benefit from the provisions of the Code of the Taxes concerning tax deductions granted to these organisations. However, several alumni associations have appealed to the Council of State against this directive.

To overcome the problem of unequal treatment between national and cross-border philanthropy universities can create ‘antennas’ in other countries or partnerships with existing structures in other countries. Furthermore, there is the Transnational Giving Europe (TGE) programme that recently started as a pilot project linking cross-border philanthropy in 7 countries (see Box 4.4).

Box 4.4. Transnational Giving Europe

Transnational Giving Europe (TGE) is a partnership of leading European foundations and associations that facilitates tax-efficient cross-border giving within Europe. The TGE network enables corporations and individuals, resident in one of the participating countries, to financially support non-profit organisations in other member countries, while benefiting directly from the tax advantages provided for in the legislation of their country of residence.

TGE is currently operational for donations from and to Belgium, Ireland, United Kingdom, France, the Netherlands, Germany and Poland. In addition, dissemination of available information is also important. The King Baudouin Foundation (www.kbs-frb), together with the TGE partnership, launched an interactive databank that provides information for donors, intermediaries, and beneficiaries on the legal and fiscal aspects of cross-border giving, taking into account the home country of the donor and the beneficiary, as well as the country where the assets are located. It covers the 15 EU countries before enlargement and Switzerland (www.givingineurope.org).

4.2. Government ‘matching funds’ and excellence schemes

It is clear that the general attitude found in several European countries is that it is primarily the responsibility of the government to cover the needs for education and research. This undoubtedly plays a role in the degree to which universities engage in fundraising from philanthropic sources as well as in the success of those that try.

At the same time however, it is increasingly recognised that private efforts can go hand in hand with public efforts in supporting a welfare state. In general there is the belief that successful fundraising can be promoted as favouring increased public funding, for example exploiting the matching funds schemes which have been in effect in countries such as Canada and which were recently initiated in a number of European countries, such as the UK ¹⁷ or Norway. Private money has to be raised at the same time that public funding is demonstrated to be well stewarded (see Box 4.5).

There are also examples (e.g. in Hong Kong and in the U.K.) of public funding being used to build capacity for fundraising within universities, with matching funds contributed by the institutions themselves. This investment puts the universities in a stronger position subsequently to take advantage of schemes matching government funding to private donations.

The history of matching government funds to stimulate university philanthropy in Ontario provides a number of useful ideas for Europeans to consider. The Ontario government, with 18 universities, has in the last 10 years had two very successful matching gift programmes.

The first phase launched in 1998 matched dollar for dollar monies raised for endowed scholarships and bursaries. Each university was given a ceiling mainly based on their philanthropic track record and their relative size. All the universities benefited and reached their targets. The overall effect was the stimulus it gave to philanthropic giving in the university sector.

In Phase II of this government matching programme launched in 2004, Ontario universities were again given ceilings partly based on how much was raised in Phase I. The key difference was differentiating between rich and poor institutions. Universities with lower per capita endowed funds were given higher matches than one to one, to level the philanthropic playing field.

Two years later Ontario universities again reached their matching target. An illustrative lesson for European jurisdictions considering similar programmes is the very definite stimulus the programmes gave to individual giving to universities. Phase II, which gave an extra helping hand to poorer institutions, also proved to be remarkably successful.

¹⁷ “Select government matching fund programmes. An examination of characteristics and effectiveness”. Prepared by the Council for Advancement and Support of Education for the Sutton Trust. December 2004.

Box 4.5. UK matching funds scheme

The then UK Prime Minister, Tony Blair, and Minister for Higher Education, Bill Rammell, announced on 15th February 2007 a substantial boost to help increase voluntary giving to English Higher Education providers, making them more financially independent. The government is to provide £200 million over three years for a matched-funding scheme to support English universities in their fundraising efforts.

The scheme will start in August 2008 with payments made from August 2009. It is intended to stimulate additional private cash donations to the sector of over £400 million - meaning £600 million in total could be generated for Higher Education. The scheme will aim to generate increases in donations for the majority of universities, not just those with a tradition of fundraising. It will also assist other Higher Education providers in England to increase their capacity to raise funds. The scheme will run for three years, and will match-fund donations with the aim of promoting a culture of individual giving to higher education similar to that of in the U.S., which will outlast the scheme.

It is proposed that there will be caps (set on a three year basis) on grant contributions for individual institutions to ensure the majority benefit. The scheme may have a number of tiers, with different rules for each tier. Most ('over 70') institutions will receive matched-funding on a 2:1 private to public basis. Successful fundraisers will receive more, but must raise more donations (matched-funding on a 3:1 private to public basis). Others will receive a smaller grant (matched-funding on a 1:1 private to public basis)..

Institutions will have 3 years starting in August 2008 to raise donations that the Government will match-fund up to a cap. If any institutions do not reach their cap after 3 years the underspend will be re-distributed between institutions which raise more than their cap. Institutions will decide how to spend the extra resources made available.

(http://www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2007_0026).

There are a number of issues that still need to be worked out in the scheme. One is related to additionality: there is a need to attract donors but what about deadweight costs? Should there be baseline thresholds which institutions must reach before we start to match-fund additional levels of giving? How should any such thresholds be set?

Another issue related to how individual institutions should be allocated to tiers of the scheme. Should institutions be able to express a preference for a particular scheme? How should we treat institutions for which data on fundraising performance is not currently available? Finally, how should success be measured? We must have additionality criteria, but should criteria be non-financial as well as financial? Should they take into account the level of private funding? The number of successful institutions? The increase in the number of donors?

Box 4.6. French action plan since 2003 to foster philanthropy in universities

- **Philanthropy in French universities:** there are foundations dedicated to one university (Fondation de l'école polytechnique, fondation Supelec); specialised foundations in a scientific **field funding** research projects of any university labs after open calls; foundations funding a network of labs of excellence.
- **The 2003 reform** of the legal environment for public utility foundations and of fiscal environment for philanthropy made easier the creation of a new kind of foundation: 'spending down foundations', centred about a programme of more than 5 years, limited to the life of the programme, spending down its endowment except 10% of the endowment and 1 million euros.
- **Fiscal reform of philanthropy:** Concerning taxation of donors: much improved and very profitable to companies; 66% donation credit on individual income tax with a 20% earnings cap; 60% donation credit on company income tax with a 0,5% company turnover cap, twice as much as the preceding credit; a 5 year carry-forward mechanism of tax credit for donors; adoption of the same tax rate for all kinds of charities and for donations to Higher Education or research organisations agreed by government.
- **Panorama of research foundations prior to 2004:** Modest number of research foundations: 550 public utility foundations, 30 public utility research foundations; contribution to R&D funding: 0,04% of GDP; public utility foundations mainly support healthcare (Pasteur, Curie, Pasteur Lille) operating and few funding foundations; for the past ten years, 25 % only of new foundations initiated by companies
- **Specific action plan for research foundations in 2004 and 2005:** A new State fund to fund creation or development of research foundations; private endowment must be more than 50%. Two principles: various donors adding their funding; no advantage for donors. Results disclosure: free scientific communication by labs and no privileged and exclusive rights of competitive development to companies' donors.
- **Results:** creation of 20 foundations and development of 8 existing ones; efficiency: a public and private endowment of 235 M € with 110 M € public money.
- **Research Act of Law of 2006:** establishment of thirteen 'Excellence Research Networks' with the status of 'fondations de coopération scientifique', funded primarily from public funds.
- **Law of August 2007 on 'libertés et responsabilités des universités':** creation of 'fondations universitaires' – non-independent foundations under universities; and 'fondations partenariales', created by universities with the characteristics of 'fondations d'entreprise'; automatic eligibility of public higher education organisations to the tax regimes governing philanthropy. See www.nouvelleuniversite.gouv.fr.

The issue of the rich getting richer in philanthropic terms is not unimportant. The challenge ahead in Europe is to ensure that philanthropic support for universities is broad based. Elite institutions in America, Canada and Europe have the resources and institutional confidence to compete for philanthropic resources.

Other public measures that can contribute to the success of the fundraising efforts of universities are those related to rewarding excellence. For example, the ‘Excellence Initiative’¹⁸ launched in 2005 by the German federal and state governments, promotes top-level research in Germany. The Technical University of Munich was one of the three German institutions that won the ‘elite’-status in the ‘Excellence Initiative’. This serves as a proof of the value of the institution, which is the underlying criterion for potential donor support.

Recently, the French government made several moves which should benefit fundraising research in higher education (see Box 4.6). Among the actions taken is, for example, the establishment of thirteen ‘Excellence Research Networks’ with private status, though primarily funded from public funds. Furthermore, following a law passed in August 2007, all French universities should be autonomous by 2012. This will allow them, among other things, to reward the best researchers and professors with specific allowances beyond their fixed, civil servants’ salaries.

¹⁸ [//www.dfg.de/en/research_funding/coordinated_programmes/excellence_initiative/general_information.html](http://www.dfg.de/en/research_funding/coordinated_programmes/excellence_initiative/general_information.html)

Chapter 5. Conclusions and recommendations

5.1. Conclusions

The previous chapters addressed the issue of ‘best practices’ in fundraising from philanthropic sources in terms of the fundraising methods used by universities, university governance issues and government policies. Based on these ‘best practices’, it is possible to draw certain conclusions that then act as guideposts for the formulation of recommendations.

A first conclusion relates to the fundraising methods used by universities. It is clear that there are a number of alternative ways for universities to relate to prospective donors, and these were codified in the four different ‘models’ of interaction presented in the report. They are distinguished in terms of issues such as donor types, the university actors taking the lead in philanthropic fundraising, the degree to which specific donors are targeted, the extent to which donors specify the use of donations, and the formality of donors’ procedures and the research specificity of the fundraising activities of universities.

Despite such differences, it is also possible to draw some general lessons on university fundraising methods and practices. It is clear that getting started with fundraising is often the hardest job of all; it requires a lot of time and resources before results are visible. One of the first tasks is to clearly establish a university’s areas of strength and projects and services where it can demonstrate excellence and differentiate itself from other institutions. In other words, what is needed is a vision coupled with a strategy.

Engaging the university leadership and involving all university people in fundraising is critical. Academic leaders need to take ownership and responsibility for philanthropy on their individual campuses. Long-term success, however, lies in a real partnership between a permanent professional development team working in concert with the academic leadership and the entire university community.

In this context, external help is important. In addition to the network of colleagues and access to models of good practice provided through CASE, fundraising consultants can help universities apply strategies, put in place processes for ‘asking’, design fundraising structures and ensure that they are operational. They act as ‘facilitators’ in all stages of the process of fundraising, but fundraising cannot be completely outsourced. Ultimately, universities need to ‘skill up’ internally and create their own professional fundraising teams. It is hard, it is costly, it takes time, recruiting and retaining such staff is a huge challenge, but building internal teams with the right competences is the critical ingredient for long-term success.

A second conclusion relates to university governance, which has proved to be important in terms of the degree of autonomy and independence an institution enjoys. More broadly, adopting a more ‘entrepreneurial’ and open-minded institutional attitude is needed for the success of fundraising efforts. Such an ‘entrepreneurial’ approach can also help universities tackle the rest of the challenges they face today, i.e. a shift from government allocations based

on historical and input-oriented criteria towards more accountability and performance-based mechanisms; pressure to secure more external funds, diversify income sources and take responsibility for their own financial sustainability; higher degrees of accountability to stakeholders; and the need for national and international profiling and competition.

The autonomy of a university affects the take-up and success of fundraising efforts. Universities with a higher degree of autonomy have undoubted advantages in terms of raising philanthropic funding. Nevertheless, there are ways to overcome obstacles. Examples exist of less autonomous institutions where more ‘entrepreneurial’ governance has allowed fundraising efforts to enjoy great success. In this context, the creation of university foundations is often cited. University foundations have a number of positive aspects when it comes to fundraising: they provide the visibility and transparency donors often demand and the sustainability and continuity of cash flow required by universities. They also benefit from tax incentives and help strengthen a university’s profile.

Finally, it should be noted that the experience of students while they are enrolled at the University will affect their attitude to their alma mater after graduation. Universities that take philanthropic fundraising seriously also pay attention to the ‘student journey’ to alumni status. They also put in place a thoughtful programme of alumni relations. Universities have a duty, they argue, to maintain the value of the degree their graduates received; alumni have an investment in the excellence of the institution and their relationship with their peers.

A third conclusion relates to government policies and to the fact that fundraising activities are also affected by more general aspects of the wider environment such as the prevailing economic conditions and tax systems in a country. The large differences in tax systems and in the fiscal and legal treatment of foundations across countries, coupled with the unequal treatment of national and cross-border philanthropy, limit the ability of universities to exploit donations from abroad. However, there are examples of countries changing their tax and regulatory systems providing more or better incentives for philanthropic giving. Certain solutions are possible and initiatives also exist to overcome the problems associated with cross-border philanthropy.

In the same vein, the existence of public measures supporting fundraising is considered important. Matching fund schemes, or those related to acknowledging and rewarding institutions for demonstrating excellence in their chosen fields, act positively on overall fundraising efforts in universities. There are a number of successful examples in both European and non-European countries whose particular features require careful study.

Overall, supporting university-based research with philanthropic funds provides a solution to some of the challenges universities are facing today. It has to be acknowledged, however, that raising funds from philanthropic sources requires a considerable investment in time, resources and building good relations both within and outside the institution. Nevertheless, the return on this investment is usually extremely positive and the positive impacts of successful fundraising activities can create a virtuous cycle leading to new successes.

The challenge is both cultural and structural. We have to educate university leaders to create a ‘culture of asking’ and educate prospects to create a ‘culture of giving’. We have to create a healthy competitive fund-raising environment. What we need from government is not only tax breaks to donors but also, and maybe even more importantly, the freedom for universities to set their strategy, to recruit the best talents, to design the best programmes and to compete against their counterparts worldwide.

Cultural stances on philanthropic giving vary from one country to another, though there is a shared belief that these differences are diminishing and changing in favour of giving. It is still important, however, to develop a greater understanding of the cultural attributes and personal attitudes and motives that shape decisions to ‘give’, and this process takes time. The way of ‘asking’ also has to fit in with cultural specificities and the values of the countries and areas in question, and more research is needed to understand why research is still not a top priority in philanthropic giving. A tradition of giving to university research has to be nurtured if the individual efforts of universities to raise funds from philanthropic sources are to be rewarded.

In general, philanthropic funds provide a way to conduct tasks that otherwise could not be undertaken. The reasons may be that they either require a lot of resources or the anticipated benefits can only be seen after a long time, which is sometimes an obstacle when seeking support via other means. foundations can ensure more flexibility, less bureaucracy, and faster processes when selecting projects and services to support and when developing new programmes. It may be the case that researchers have to conform to preset research priorities and areas of interests that foundations aim to support, but at the same time this may also lead to the development of new ideas.

Successful fundraising programmes and activities can improve the profile, image and reputation of universities. They help provide evidence of an institution’s excellence in certain areas. Thus they can attract better students as well as researchers and professors. Excellence in research also brings excellence in teaching and better services to the community. This virtuous circle brings more successes in fundraising efforts. Accordingly, failures can have a long lasting effect on fundraising activities, if initial efforts are not based on the resources, professionalism and quality demanded.

5.2 Recommendations

The Terms of Reference for the work of the Expert Group that prepared this report asked the group to “review good practices in fundraising by universities from philanthropic sources (e.g. foundations, trusts, charities, individuals, alumni) in Europe and abroad, develop models and recommend actions to be undertaken by key actors involved”.

Recommending actions to be undertaken by key actors first necessitates identifying clearly the roles and responsibilities of all the actors involved in university fundraising for research from philanthropy (see Table 5.1 below for a matrix of recommendations and actors).

- **Universities** are the main and most important actor. It is they who are the initiators of fundraising for research; they are the ones responding to a need to diversify their funding sources, and they have to take difficult decisions about how to engage in fundraising, what to do and what not to do. Most recommendations of this report are therefore directed at them and relate to fundraising practices; institutional, managerial, and cultural changes; and governance issues.
- **Philanthropic bodies** in all forms and shapes are the counterparts of universities; they represent the supply of funds to the universities' demand. The report *Giving More for Research in Europe* addressed a number of specific recommendations to foundations, with the aim of improving their operation and channelling more funds to research. Most of these are also relevant to this report. The recommendations included here are only those that bear specifically on university research fundraising.
- **National governments**, by virtue of the legal and fiscal conditions that they control, directly and indirectly influence both the overall level and direction of giving as well as the conditions for giving specifically to university research. Perhaps most importantly, they also influence the ability of universities to engage in such fundraising activity and the terms under which it is conducted. They are therefore an obvious target for recommendations.
- **European institutions** and policies that they put in place clearly influence university fundraising for research. Activities such as exchange of good practice, the move towards equal treatment of giving within the EU, initiatives for creating a legal vehicle for foundations in Europe and providing matching funds are all important issues that can be addressed. To develop a European Research Area, existing legal and fiscal disincentives to cross-border activities of foundations and their donors must be tackled where the EU institutions have competence and authority, such as in relation to VAT.
- **Business** in EU countries is involved in private giving through the setting up of foundations, often focusing on research. It is of course also involved in university research through contract research. It is therefore important for recommendations in the context of this report to clearly distinguish the public benefit aspect of these relationships and those that are motivated by private benefit.
- **Society** is of course the ultimate recipient of the results of research supported by philanthropy. It is nevertheless important to increase the public's awareness and perception of the role, scope and importance of university research and of the role that private giving can play in this respect. This will encourage increased public giving and public confidence in scientific research. Such confidence in the framework within which scientific research is made is needed to enable the research community to continue its work with public support and input.

The recommendations of the expert group are the result of the deliberations of the group and also take into consideration work undertaken by outside experts in this area and current initiatives in different EU countries. They are grouped into three broad categories/areas:

- **Getting the fundraising fundamentals right:** recommendations to improve the characteristics of a successful fundraising campaign; identify the steps to be taken by universities, the strategies to pursue, the structures that need to be put in place.
- **Getting the university environment right:** recommendations for universities to overcome institutional constraints that hinder their fundraising activities, improve university governance, create instruments such as University foundations that can help in this regard.
- **Getting the external environment right:** recommendations to improve public policies supporting efforts to raise funds for research from philanthropic sources, including fiscal incentives, matching fund schemes, policies to remove cross-country barriers to giving, as well as actions to increase awareness and the interest of society in fundraising.

A. Getting the fundraising fundamentals right

Recommendation #1: *Universities should include fundraising from philanthropy as part of their overall strategy*

Aspiring to excellence in research requires fundraising from philanthropic sources to be included as part of a university's overall strategy. This is because successful fundraising necessitates identifying and promoting a university's areas of excellence and establishing its comparative advantage over other universities. It involves demonstrating promise and opportunity and providing a vision to which potential donors want to contribute.

Any vision that involves building on strengths has to be accompanied by a fundraising strategy which addresses important issues such as the focus of the fundraising efforts (e.g. a focus on raising funds for research); the target donors (these range across wealthy individuals, philanthropic foundations, firms and alumni); the sequencing of activities; the structures to be put in place; the use of external help *versus* the development of internal resources; and the way the funds collected will be distributed and used.

In addition, such a strategy should explicitly explore the existing constraints to fundraising in universities (legal, fiscal, cultural attitudes etc.) and try to remove them. These constraints include a shortage of fundraising professionals, a lack of training courses for current and future institutional leaders, and a need for more chairs in philanthropic studies.

Recommendation #2: *Build up internal fundraising competences within universities*

While using outside professionals to assist in achieving fundraising goals is often necessary, successful fundraising cannot be outsourced. Ultimately, universities need to build up their own fundraising competences by 'skilling up' internally and creating their own professional

fundraising teams. It is hard, it is costly, it takes time, recruiting and retaining such staff is a huge challenge, but it is the critical ingredient for long-term success.

There are alternatives to creating and staffing the fundraising unit completely at the outset. A more modest strategy can be followed by hiring fundraising professionals and placing them within an existing university structure. Such an approach is reasonable in situations where more radical changes are difficult to make due to lack of resources or the reluctance of university leadership to invest heavily in fundraising activities.

In any case, the fundraising person(s) or structures need to enjoy the full support and commitment of the university leadership. They also have to be able to collaborate closely with several of the university units and bring on board the university researchers and professors, creating the right 'spirit' as well as the right 'structures'. A combination of expertise in fundraising and an ability to understand the academic world is useful. Knowledge of the tax and legal systems of not only their own but also those of other countries is important in order to approach potential donors that live abroad.

Lack of continuity in fundraising is the greatest threat for nearly all universities, and moreover will lead to considerable reputation damage. It is also important to recognise the need for hiring, training, and retraining fundraising staff, which may require an increase in places on existing training courses (such as those run by CASE) or even involve creating university qualifications in fundraising.

Recommendation #3: Review the qualifications required of university leadership to include fundraising skills and make fundraising one of their core responsibilities

The commitment of the university leadership to fundraising is critical to its success. Academic leaders need to take ownership and responsibility for philanthropy on their individual campuses. They are the ones that will create a compelling vision; manage the academic priority-setting process; articulate and interpret the case for support; identify prospects; facilitate faculty development partnerships; maintain and advance relationships; do the asking; recognise and thank donors.

It is therefore important to give high level university leaders a clear fundraising role, as well as to appoint development professionals at the most senior levels. It is recommended that a working knowledge of fundraising and a track record in it are taken into account by search committees for Deans/Presidents/Vice-Chancellors/Rectors, or are used as criteria in elections for university leaders (depending on the system used). Once in office, these leaders should take active steps to strengthen their understanding and skills in this area and to compare notes with their peers. It is furthermore suggested that the roles of university leaders, governing bodies and senior academics are reviewed to give greater prominence to the advancement of the institution and the development function.

In addition, as a way of recognising their efforts and supporting future fundraising efforts, universities should examine the scope for the greater involvement of external people in their

governance structures, for example as trustees of the institution's development foundation, in advisory positions, or as members of the governing body if they have appropriate experience and skills.

B. Getting the university environment right

Recommendation #4: *Review management and accounting practices at universities*

Donors increasingly look for careful strategic planning, sound financial management, details of the project(s) to be funded, and tangible benefits for the organisation, the community and the donor. Knowing how much capital the university has, and how it spends its money, are issues that increasingly interest them.

These are also issues that universities need to address as they become more open and accountable; as they become more autonomous and entrepreneurial; and as their funding streams diversify. It is therefore recommended that universities review management and accounting practices at universities with the aim of making them more transparent, adopting – amongst other things – full-cost accounting. In this context, they also need to address ethical issues relating to the provenance of philanthropic funds and develop a clear and transparent set of guidelines concerning donations. Acknowledging the value of alumni to the institution and the connection between the student experience and the attitudes of alumni is also of structural benefit.

Recommendation #5: *Take advantage of increased university autonomy*

Increasing university autonomy is key to successful fundraising and is therefore a major recommendation of this report. In addition to academic autonomy (concerning curricula, programmes, research etc.), this includes financial (lump-sum budgeting), organisational (structure of the university) and staffing (responsibility for recruitment, salaries and promotion) autonomy. Autonomy founded on adequate public funding facilitates the strategic management of public and private income and endowments by universities.

Autonomy implies having an independent governing body (executive authority and autonomy go together); being able to employ people at market rates; deciding how best to use available money; investing in money markets; being able to borrow money; generating income via various means (e.g. by charging fees, utilising endowments, establishing industrial contracts or, more generally, pursuing any activity which generates a surplus); creating chairs etc.

Recommendation #6: *Explore possibilities for the creation of university foundations*

In situations where the institutional setup of universities does not give them the autonomy and flexibility that fundraising requires, they should explore the possibility of creating their own foundations. This could allow them to generate funds to support research (projects and

equipment) and/or cooperate with an existing foundation that stimulates research, in order to attract resources from alumni or from their local environment. This recommendation is particularly important for public universities, though it is understood that it may require government initiatives to effect a change in legal status in order for it to be realised.

University foundations should be geared to their own community or environment, but should also be eligible for EC funds if they meet criteria related to good governance and management. The main goal should be to raise funds for R&D in a more flexible environment and to use these funds in a flexible way (e.g. for indirect costs of research).

C. Getting the external environment right

Recommendation #7: Introduce a system of ‘matching funds’ by government for donations raised from private donors

This recommendation is aimed at increasing the leverage effect of philanthropy to university research efforts by matching it with funds from public (national or EU) sources. This would have to be in addition to existing public sources allocated to R&D. Under such schemes, which have been successfully applied in a number of countries, private donations over a certain limit trigger a matching donation from the government up to a certain percentage of the private gift.

At an EU level, it would involve establishing a conditional matching grant system for a part of the resources allocated to research. If the EU was prepared to match the funding of public benefit projects that had already been selected following open competition and independent peer review, this would be one way of making EU funding more effective and less bureaucratic.

There are a number of issues that governments need to explore in this context. One is the question of whether such schemes should be used to reward excellence or as a mechanism for spreading money to all universities or indeed to build capacity for fundraising. Another is the exact ‘tailoring’ of the matching funds schemes (via the use of tiers, ratio, caps etc.) in order to ensure that public support catalyses philanthropic endeavours rather than substitutes for it.

Recommendation #8: Review fiscal rules to make them more inviting to university research fundraising

This recommendation is addressed to national governments and involves action by fiscal authorities. Its aim is to increase the funds available to universities for the support of research activities by creating a fiscal environment in which fiscal rules are friendlier to university research fundraising and activities with a public benefit purpose are tax-exempt. In effect, the aim should be to create a complete tax deductibility system for both individuals and companies, one that allows Universities (as foundations) to benefit fully from tax deductible donations.

This involves among other things action for: clear and user-friendly rules applying to the tax exemption of gifts; clearly defined tax relief schemes; simplified tax laws to encourage annual giving, so that higher rate taxpayers can simply deduct donations over a certain level from their gross income; a review of VAT rules to take into account the public benefit nature of university activities, exempting beneficiaries from tax on donations received from public benefit foundations across the EU up to a certain ceiling; the introduction of ‘planned giving’ vehicles which allow individuals to transfer assets to universities whilst providing donors with a regular income and tax relief in their lifetime.

Recommendation #9: *Claim the ‘right of philanthropic transfer’ within the EU*

This recommendation is addressed to national governments and to European institutions and its aim is to establish a more ‘level-playing field’ which encourages cross-border giving within the EU. While this is probably not the most crucial single issue for university research, it is nevertheless important for the creation of a European Research Area.

In a certain sense, what is required is a ‘European passport’ for all philanthropy recipients, in this case universities and foundations. A move towards the mutual recognition of ‘public benefit/qualifying organisations’, leading to tax benefits at the national level, would be an important step to facilitate cross-border giving. Such an approach and example can be found in the European Foundation Centre’s proposal for a European Foundation Statute.

National developments could be supported by bilateral agreements. Very few treaties currently address the issue of cross-border giving, and few double tax treaties – which provide tax relief for gifts or legacies across borders – deal with inheritance and/or gift tax ‘charity friendly’ provisions. EU Member States should be encouraged to review these issues.

Recommendation # 10. *Promote a culture of giving and create a culture of asking*

This final recommendation is a call to arms. Aside from specific recommendations to universities, foundations, businesses and public authorities, what is truly needed is a culture change in Europe in favour of philanthropic fundraising for university research.

Practically this translates into a multitude of possible actions:

- systematically train university people in order to raise their awareness about the role fundraising can have in supporting university-based research and educate them in setting up fundraising programmes;
- publish more systematic and transparent reports monitoring and encouraging fundraising performance;
- launch national donation campaigns;
- establish national or EU-wide lotteries for research;

- survey attitudes towards voluntary giving to higher education and investigate factors that would motivate donations to the sector;
- ensure greater recognition and celebration of giving to higher education by institutions and national leaders;
- provide national reward schemes or public recognition schemes for donors;
- define national or EU labels for excellence for university fundraising;
- develop fora for institutional leaders and key supporters to compare good practice and to analyse their philanthropic achievements;
- launch campaigns to celebrate the importance of university research results for improving the life of EU citizens – in effect, reclaiming the honourable and ancient tradition of philanthropy for education in Europe and re-energising it for contemporary needs.

Table 5.1. A matrix of recommendations and actors

	Universities	foundations	Governments	EU	Business	Society
Recommendation #1: <i>Universities should include fundraising from philanthropy as part of their overall strategy</i>	X					
Recommendation #2: <i>Build up fundraising competences within universities</i>	X					
Recommendation #3: <i>Review the role and qualifications required of university leadership to include fundraising skills</i>	X		X			
Recommendation #4: <i>Review management and accounting practices at universities</i>	X		X			
Recommendation #5: <i>Take advantage of increased university autonomy</i>	X		X			
Recommendation #6: <i>Explore possibilities for the creation of university foundations</i>	X	X				
Recommendation #7: <i>Introduce a system of ‘matching funds’ by government for donations raised from private donors</i>			X	X		
Recommendation #8: <i>Review fiscal rules to make them more inviting to university research fundraising</i>			X	X		
Recommendation #9: <i>Claim the ‘right of philanthropic transfer’ within the EU</i>			X	X		
Recommendation # 10. <i>Promote a culture of giving and create a culture of asking</i>			X	X	X	X

Annexes

Annex Chapter 1. University research funding in Europe

This Annex chapter provides context and background to the discussion on ‘best practices’ in university fundraising for research from philanthropic sources by looking into the changing university ‘landscape’. It clarifies how objectives and functions of universities today may coincide with those of philanthropic organisations, and assesses how different national contexts may facilitate or inhibit university fundraising practices. It examines the evidence for the contribution made by philanthropy to the overall funding of European university research activities. It differentiates between funding for research from philanthropic sources and that from governmental and industrial sources, identifying complementarities as well as the unique added value of philanthropic funding.

A.1.1. Universities in transition

Universities are rapidly evolving as they try to respond to a very different and rapidly changing international environment. Globalisation, demographic change and the demands of the knowledge economy imply an increased demand for mass higher education and life long learning, at the same time as putting a premium on high-quality research activities. In turn, this leads to increased competition for faculty, students and reputation.

Just as demands on the university system in terms of both quantity and quality are escalating, public funding of tertiary education in most countries is at best stable and at worst declining in real terms. This is forcing universities to respond in a number of ways: by attempting to differentiate their sources of funding, and to re-examine their mission and operations, in a search for new and expanding markets. This process, of necessity, includes a re-assessment of the nature and role of university leadership.

Such changes are not easy to come about; university systems are very country-specific and diverse, reflecting societal history, culture and choices (see Table A.1.1 and Box A.1.1). But a number of universities today suffer from the same problems: human capital and innovation gaps; a uniformity of programmes and methods; lack of cooperation with other institutions; an insulation from market needs; chronic underfunding; national overregulation; fragmentation; and little institutional differentiation.

In a recent report, the OECD ¹⁹ identified several drivers of reform in universities, and a combination of circumstances that have impacted on the financial sustainability of higher education institutions in many countries:

¹⁹ OECD (2004), ‘On the Edge. Securing a Sustainable Future for Higher Education’.

- rapid growth in the volume of higher education activity (*i.e.* student numbers and research) and in the complexity of this activity (*e.g.* new types of student and the growth in the number of mature learners);
- core funding from the State has not kept pace with this growth; investment in institutional infrastructure has fallen below the levels needed for sustainability;
- public agendas have become more complex and demanding and institutions need to respond to a broader range of stakeholders and interests;
- institutions are exposed to increasing global market pressures and are required to differentiate themselves to succeed in a more competitive environment.

Table A.1.1. Types of Higher Education Institutions

Type of system	Key characteristics of higher education institutions				
	Legal entity	Structure and plans	Staff	Assets	Funding sources/ commercial freedom
State owned	Public sector	State determines	Civil servants	Owned by State	State budgets no scope to make or retain surpluses
Agency of state	Public sector but separate legal entity	State approves	Key staff are appointed by State and pay and conditions set nationally	Funded by State which controls disposals etc.	Predominantly core funded; limited power to raise income and create surpluses
State/private Partnership	Private sector but subject to State controls	State consults and can influence (through funding)	Institution employs with State influence or controls	Privately owned, but some funding by State	Both core and contract income; can generate and retain own income
Private/State	Private sector	State has little involvement	Private	Private, little state funding	Contract and commercial income

Source: OECD (2004), 'On the Edge. Securing a Sustainable Future for Higher Education'.

These pressures have led to policies to broaden the base of funding for institutions; to seek collaboration and efficiency gains; to encourage greater commercial and market response and to seek greater financial contributions from students. At the same time, governments increasingly need higher education institutions to help them to achieve a number of social and economic goals, but they have fewer direct policy mechanisms to ensure this (as State funding diminishes and institutions gain – or at least seek – greater autonomy).

Box A.1.1. Higher Education Institutions in France

Higher Education Institutions (HEIs) in France are increasingly recognising that competition is no longer European but international, and turns on their capacity to attract the best professors and the most brilliant students in the world, as well as on being able to undertake peak research projects and attract the financial resources available for such projects.

France devotes 1.1% of its GDP to higher HEIs (against 1.4% on average in the countries of the OECD) and spends 8,837 EUR by student against more than \$22,000 in the US. The share of private financing is very low and among the European countries, only Germany and the United Kingdom are an exception with 15% of private financing.

The landscape of the French HEIs is quite diversified, with actors emanating from the public, semi-public or the private sector. A recent study (CERPHI) listed 63 universities and 171 ‘grandes écoles’ in France. The distinction between the top tier of the ‘grandes écoles’ and the universities is characteristic of the French system of higher education. For the better known of the ‘grandes écoles’, their external visibility, in particular on the international scene, is very important. The Bologna process and harmonisation of their diplomas represent a chance for them to take their place in the European Higher Education area.

After more than 20 years of ‘mass opening’ of higher education (from 1.2 million students in 1980 to more than 2 million today), the challenge has become qualitative today. The reform projects are not missing but ideological blockings are important when it comes to preserve the public service. The French universities today are managed as administrations and the rooms for manoeuvre in financial management of an institution are weak, leaving little flexibility for adaptation to a changing environment. Each euro of ministry funding has to be assigned to a precise expenditure line and it raises the question of budgetary autonomy of the university.

In addition, after May 68, universities ‘were split up’ in disciplines and thus lost in terms of synergies between disciplines. The creation of public institutions for university cooperation, currently under study, would be a means of mitigating this problem, which is a handicap, especially when it comes to cooperation between universities and enterprises. The organisational reality of French higher education and the strong Welfare State in the financing of education, explain the emergence of fundraising in this sector.

The challenges universities face today have sparked an intense policy debate aimed at helping them evolve and take advantage of the new environment within which they operate. At a European level, it is recognised that higher education remains predominantly the responsibility of nation-states. Both the Bologna process however – a large Europe (45 countries) looking for convergence through cooperation, common structures and tools – and the EU 27's Lisbon Strategy with its ambitious economic and social goals put a focus on research excellence and competitiveness. The limited EU responsibility for higher education needs therefore to be seen alongside its growing competence in relation to research as well as its increased profile within vocational education and life-long learning.

The discussion underway acknowledges the universities' interlinked roles of education, research and innovation, not only as a core condition for the success of the broader Lisbon Strategy, but as part of the wider move towards an increasingly global and knowledge-based economy. In this context the European Commission set up with its 2005 Communication²⁰ a 'modernisation agenda', with 3 important aspects:

- **Curriculum reform:** This involves implementing the Bologna reforms by 2010, with a 3-cycle system, quality assurance, modernisation of curricula; increased mobility of researchers and students; speeded up academic recognition; and a European Qualification Framework with learning outcomes.
- **Governance reform:** This necessitates a 'new covenant' between universities and states, with state guidance without micromanagement and overregulation, institutional autonomy and full accountability, where strategic priorities are set by institutions. It also involves professional management of resources, as well as building and rewarding management and leadership.
- **Funding reform:** The goal is to devote 2% of GDP to a modernised higher education sector, with financing driven by outputs and an appropriate mix of funding sources. This necessitates a diversification of funding, with more income coming from private sources.

As a follow-up, the European Commission adopted in 2006 a Communication "Delivering on the modernisation agenda for universities: education, research and innovation". This communication responded to a request made at the informal meeting of the European Council in Hampton Court in October 2005 to identify areas for action on universities that can be used to drive forward the Growth and Jobs agenda.

In the Communication, the Commission notably suggests there should be an effort to: "Reduce the funding gap [of universities] and make [their] funding work more effectively in education and research(...)". In this regard, "Universities should take greater responsibility for their own long-term financial sustainability, particularly for research: this implies proactive diversification of their research funding portfolios through collaboration with

²⁰ "Mobilising the brainpower of Europe: enabling universities to make their full contribution to the Lisbon Strategy", COM(2005) 152 of 20 April 2005 and Council Resolution of 15 November 2005

enterprises (including in the form of cross-border consortia), foundations and other private sources”.

The issue of university autonomy is central in this discussion²¹. This includes academic autonomy (curricula, programmes and research) financial autonomy (lump sum budgeting), organisational autonomy (structure of the university) and staffing autonomy (responsibility for recruitment, salaries and promotion). Autonomy founded on adequate public funding which also facilitates the strategic management of public and private income and endowments (from philanthropists, companies, alumni and students) by universities.

The challenges facing European universities today also relate to the changing nature of research. Research is no longer an isolated activity; its emphasis is shifting from individual researchers to teams and global research networks. Scientific problems tend to go beyond traditional disciplinary structures: cutting-edge research is increasingly being conducted at the interface between academic disciplines or in multidisciplinary settings. Universities’ research environments are more competitive and globalised and require greater interaction.

Europe’s universities are a central pillar in building the European Research Area through their main responsibility for providing the supply of trained researchers and through their core missions in fundamental and collaborative research. It is widely recognised that in performing these major functions Europe’s universities play a crucial underpinning role in enhancing the economic competitiveness of Europe²².

It is therefore clear that, alongside the fundamental local, regional and national roots of universities, the European framework is becoming increasingly important. The European dimension offers the potential benefits of larger scale operation, greater diversity and intellectual richness of resources, and in addition plus opportunities for cooperation and competition between institutions.

In this respect the Commission, in addition to its ‘modernisation agenda’, has proposed the establishment of the European Institute of Technology (EIT) with the aim of contributing to improving Europe’s capacity for scientific education, research and innovation, while providing an innovative model to drive change in existing universities, in particular by encouraging multi-disciplinarity and developing strong partnerships with business.

One concern relating to the establishment of the EIT is whether it would be in competition with existing universities to attract philanthropic funds. A highly visible initiative, like the EIT, could in fact instead stimulate peoples’ awareness and willingness to increase the available pool of philanthropic funds and act as a multiplier on the efforts for philanthropic fundraising.

The evolution of the nature, mission and operation of universities has an obvious relevance to the question of how to improve university research by making greater use of philanthropic

²¹ See for example the European University Association’s Lisbon Declaration (2007).

²² European University Association (EUA), “Viewpoint on the European Commission’s “Green Paper” on “The European Research Area: New Perspectives” (2007)

funds. The individual best-practices of fundraising presented in Chapter 2 of this report, as well as the modelling of the interactions between universities and private donors for research in Chapter 3, show a clear relationship between fundraising success on the one hand, and particular university strategies and choices on the other. It is a however a relationship that goes beyond simplistic distinctions between rigid public universities and flexible private ones, and puts the emphasis on issues such as university autonomy and commitment of the university community.

A.1.2. Changes in university funding structures

Increasing university funding and diversifying funding streams is a central issue facing most higher education institutions today. This is because while the State remains the dominant or core funder of higher education and research, in many countries the proportion of institutional funding from the State has already declined and is likely to decline further. In some cases there has been a decline in the amount of state funding per student (usually because student numbers have grown faster than funding in real terms). Sometimes, institutions have been encouraged to recruit additional students with only marginal public funding to support them.

Often, government funding has risen at a lower rate than employment costs and other inflation. The impact of these factors has been a reduction in the overall unit of resource – government funding for teaching per student. In some cases, there was scope to increase efficiency, but this has also put pressure on the quality of delivery and financial security of institutions. This might affect other policy objectives such as widening participation.

There seems therefore to be a shift from government allocations based on historical and input-oriented criteria towards more accountability and performance-based mechanisms that give greater attention to outputs and efficiency. Although governments' allocations do not seem to be decreasing in absolute figures, their share is, however, declining in relation to the increasing shares of other sources of income like grants, project funding, tuition fees and private contracts.

This leads to a shift towards more competition, which in turn brings concerns about a bias in favour of short-term scientific projects over long-term results without the concomitant theoretical arguments or empirical evidence that such a strategy would enhance efficiency.²³

The growth of research is normally an academic objective, driven by intellectual curiosity, but it has also been encouraged by governments who wish to exploit the benefits of R&D drawn from the base of university research. As the OECD points out, this combination of drivers has led institutions to seek and accept non-core funding for research from a diverse range of sources, some on a marginal-costs basis. As well as from core government funds, research is funded by other ministries and public bodies; by private industry; by charities and foundations; and by international organisations.

²³ Changes in University Incomes and their Impact on University-based Research and Innovation, Final Report, February 2006.

For some institutions, the rapid growth in project or activity funding for research has outstripped the level of investment in the core research infrastructure. This has led to problems of decaying infrastructure and an imbalance between investment and consumption.

There has also been a growth in ‘other’ activity related to the knowledge base of HEIs. Knowledge transfer activity includes contract research, testing, consultancy and advisory services, exploitation of intellectual property (licensing, spin-out companies). This is seen as an important contribution to economic growth by many governments and as a source of income, staff development and other benefits by institutions.

However, few are well equipped to manage such activity that needs a similar managerial environment to a commercial business (risk-taking, rapid response, ability to invest and disinvest in staff and services). While a few institutions have been very successful, for most such activity has added little to their income or financial security, and it can expose them to new financial risks.²⁴

As the State is no longer the only – sometimes not even the main – financial source, universities have to look for diversified funding and adopt more entrepreneurial approaches and flexibility in their activities. This is widely recognised as is evident by the Glasgow Declaration: “Strong Universities for a Strong Europe”, adopted in 2005 by the European University Association.²⁵ The EUA Glasgow Declaration states that “*universities are working to diversify their funding streams. They are committed to exploring combined public-private funding models*”. It should be developed as part of the universities overall strategy for diversifying funding; it should help manage successfully the multiple research interests and needs of faculties and departments.²⁶ More recently, the EUA Lisbon Declaration in 2007, which sets out the EUA’s policy agenda for the higher education sector for the coming years, points out that “governments need to reaffirm that higher education is predominantly a public good. However, in the context of university funding and in response to the growth in student numbers and the high cost of maintaining excellence in a global context, it is important to engage in the debate on public-private partnership in funding higher education”.²⁷

The EUA is therefore committed to identifying supplementary revenue streams for universities and to promoting modes of governance that support optimal transparency in financial management. The data collected by the EUA work on university funding demonstrate the huge diversity of public funding mechanisms to be found across Europe. They vary enormously in volume, legal base, methodology, policy thrust, and in the degree to which central authorities control institutional budgets. [See Boxes A.1.3 to A.1.6 for examples of individual countries, drawing on national studies and material from expert group members].

²⁴ OECD (2004), ‘On the Edge. Securing a Sustainable Future for Higher Education’

²⁵ The European University Association is an independent voice of universities, created in 2001 as a non-governmental Membership-based Organisation. Its members are almost 800 Universities.

²⁶ EUA Glasgow Declaration “Strong Universities for a Strong Europe” (EUA publication 2005)

²⁷ EUA Lisbon Declaration “Europe’s Universities beyond 2010: Diversity with a Common Purpose” (EUA publication 2007)

Box A.1.3. Funding of the Italian university system

There are currently 90 universities in Italy, of which 78 are public and 12 are considered private (i.e. were founded by private institutions/individuals). A number of universities are closely associated with the Catholic Church and receive funding from it. The vast majority of universities have always been funded by the State with a view to providing education to the highest possible number of students, leading to the development of very large institutions.

The culture of giving to higher education in Italy is still very underdeveloped. The general assumption is that it is the government's responsibility to provide for education at all levels and even though State support is declining, universities find it difficult to articulate a 'need' and persuade the private sector to fill the necessary gaps.

Starting in the early 90's things began to change. Universities were granted a status of relative independence, enabling them to make decisions with greater freedom on spending, tuition fees, teaching and research curriculum, and organisational models. There is increased attention by universities in Italy to the importance and the impact that private support can have on education, not only financially but also in terms of the knowledge brought by enhanced involvement on the part of corporations, for example, to the life of the University.

According to the OECD briefing note on Italy about higher education (September 2006), with 27.9% of HE education expenditure funded from private sources, Italy stands above the OECD average (23.6%) in terms of private sector contributions to higher education funding, and is one of the leading EU countries in that respect behind Poland and the UK. It has one of the highest increases in the private contribution to the funding of tertiary education, with the relative share of private funding rising from 17.1% to 27.9% between 1995 and 2003.

A number of universities are professionalising their income generation programmes and starting to accept that philanthropic fundraising is part of a cultural change that can have a significant impact on their growth and visibility, both nationally and internationally. They are paying increased attention to a wider private sector audience that goes beyond companies, namely trusts, alumni and other individuals, establishing corporate programmes and alumni associations to develop 'two way' communication with new key stakeholders, and acknowledging that in order to make the case for more funding, they must first show that they are capable of managing their resources effectively. Governance reforms have become an urgent priority.

In 2001 ASSIF was born (Italian Association of Fundraisers) and a fundraising code of ethics was developed. This is evidence of the importance given to this activity in terms of both the number of professionals in the field, and the potential that the discipline has across sectors. Bocconi University is one of a number of leading institutions lobbying the Government to change tax deductibility laws to encourage private gifts to higher education.

Some early impressive fundraising successes have already been achieved by Italian universities: a multi-million Euro legacy from Federico Zeri to the University of Bologna, €12m to LUISS Guido Carli in Rome from a bank foundation, €31m raised so far by Bocconi through the Campaign 2015 effort. Those institutions are already committed to development and recognise the need to institutionalise fundraising.

Box A.1.4. University structure and fundraising in Poland

The Polish university system is characterised by low public expenditure per student and a growing demand for fee-paying forms of study in public universities and non-public HEIs. For the public - state funded HEIs introducing fee-paying forms has been for last 15 years the main source of income necessary to balance their budgets.

Currently, between 30 and 40% of funding in most public universities is generated by such fee-paying courses. Polish universities now enjoy more autonomy than other OECD countries for a range of academic and budgetary functions, including distribution of financial resources, recruitment of staff and student enrolment.

In terms of fundraising, it seems that a number of Polish universities have tried to organise fundraising from charitable sources but with little success. Many universities have established foundations but the results have been mostly disappointing and even if they have generated some money (insignificant in terms of total budgets) the donations were marked for specific needs (mostly scholarships, books) and were generally not related to research.

Alumni associations have been established at many universities but they are expanding very slowly with no direct effect on fundraising, especially for research. Development Offices are also scarce – there is at least one such unit operating at Warsaw University but it has evolved from its initial concept of US – type development office to an administrative unit involved mostly in supporting applications for – and management of projects financed by EU. Similar units have been established in recent years at majority of the universities.

In terms of foundations, the Foundation for Polish Science is the only foundation operating on a national scale with a mission of providing assistance and support to scientific community in Poland. Its strategy is to support individual scientist and research groups, support transfer of innovations to industry.

Several foreign foundations also offer grants to the Polish science community, among them Alexander von Humboldt Stiftung, Fulbright foundation and The Wellcome Trust. Most funding of this kind is aimed at facilitating mobility of staff or students.

As noted by the EUA, “this requires more comprehensive mapping of current public funding models, of their legal and financial environments, and of the supplementary income streams available; it therefore touches directly on key features of both the Bologna Process, such as the social dimension (access, equity in student support, affordability), the international dimension (attractiveness and competitiveness) and mobility (portability of student support) and the Lisbon Strategy”.²⁸

Box A.1.5. University structure and fundraising in Finland

Universities in Finland are state universities, and there are no private universities. The State is responsible for the financing of all their functions, buildings and staff. In the near future the universities may have an option to choose between two governing models, either to become a legal person under public law or to become a private foundation.

Parallel to the state financing the universities have a possibility to accept donations and research funding from the private sector and manage it in an effective way. This means that there will be two sources of financing, public funding from the state and private financing from the funds or foundation of the university. Already at the moment the universities have their own foundations to support research. In 2009 there will be established a new ‘innovation university’ through merger of three universities under governance of a private foundation.

Contract research funding from industry has been an important part of research financing thus far, but the new economic rules now give universities a better and more flexible way of financing. From the beginning of 2008 on there will be larger possibilities for tax deductions for companies.

Fundraising by universities has been very much dependent on individual professors or institutes and directed to the competitive academic funding by the Finnish Academy or industry. foundations do financing on the same principle; it is based on applications of professors or research teams, and individual researchers.

foundations have reached an important role in research financing in Finland, although there is no statistics in Finland about philanthropic financing and it is therefore not possible to define the share of research financing. The positive aspects of philanthropic funding is that it is free and flexible. The flip side is that because of the state responsibility the foundations are not willing to cover any basic infrastructure costs, also overhead has traditionally been a difficult case. Almost all of the financing covers costs of research personnel and the largest field financed is medicine. The foundations do not generally have an interest in intellectual property, with the whole issue left between researchers and universities.

²⁸ EUA Lisbon Declaration “Europe’s Universities beyond 2010: Diversity with a Common Purpose” (EUA publication 2007)

A.1.3. Quantitative and qualitative aspects of university research funding

There is no comprehensive body of data relating to the different funding streams of universities, especially to the funding of research in universities. It is therefore not possible to address properly in this report the question of the quantitative contribution made by philanthropy to overall funding for European university research activities. Furthermore, an attempt made by the Expert Group to use the results from a survey specially designed and implemented for the purpose of the work of this report was not successful, on account of the low response rate to its questionnaire.

At a macroeconomic level, available data on public and private funding of higher education systems show that all EU countries invest less than 2% of GDP in tertiary education, with significant variation in terms of the share of public and private funding. The data also show the much higher investment in the US, the only country where private funding exceeds public funding.

A recent study commissioned by the EUA ²⁹ and covering 39 institutions throughout Europe identified a number of interesting dimensions in university funding, especially in connection with research:

- Enormous **diversity in national funding structures**, as well as institutional differences in methods of data collection, management and budget allocation. This poses major challenges in comparing the research environments of universities across Europe. In addition, major reform processes in the governance and management of universities are in course – a state of flux is the only common denominator in this extremely diverse European scenario.
- While national Research and Innovation (R&I) expenditure has not greatly increased between 1995 and 2001, total institutional expenditure on R&I in this period has significantly increased in most institutions covered in the study.
- Universities are increasingly placing **emphasis on the European level** to develop research activities, despite the relatively small amount of funding received from this source compared to national sources. Inter-institutional cooperation, interdisciplinary research, centres of excellence and doctoral education are considered to be the main future priorities to develop at the European level.
- Increased autonomy, often translated in ‘global’ budgets with less public funding, requires more accountability and transparency of costs and financial management. This forces more and more universities to face the challenge of a **major reform of their management and accounting structures**. Generally in the institutions covered in the study, with the exception of those in the UK, the cost of research activities, related policies for overhead calculations and allocations are at worst unknown, almost certainly unclear within the institutions, vary enormously and revenues do not cover

²⁹ Conraths, B., and Smibt, H., ‘The Funding of University-based Research and Innovation in Europe, An Exploratory Study’, EUA Publications 2005

the cost. There is evidently a threat to long-term sustainable research development in the institution.

- There is a general expectation that **funding sources will continue to diversify** in the future, as well as an awareness that this trend towards increased diversification, and in particular the shift towards more competitive and performance related project funding, is slowly **generating a culture change**. Individual researchers, departments and institutions have had to develop a more competitive and entrepreneurial attitude and be more accountable for their performance.

Box A.1.6. Research and fundraising in Germany

Of the approximate 71 billion € spent on R&D in Germany each year, 67 % is financed by private companies, 30% by the public sector, and 2.5 % by foreign investors. Only 350 million € (0,5%) actually come from the philanthropic sector.

Government institutions spend 31 billion € on science, including research and education. Out of this, 18 billion € goes to universities (research *and* education) and included in this are 7,8 billion € spent by the state for university based research. Private companies spend 38,4 billion € for R&D – including 1,2 billion € for university based research (including cooperation projects) – i.e. 3% goes to research in universities. Private non-profit organisations spend 350 million € for science and humanities. It is currently unknown, to what extend the ‘third sector’ funds *research* in universities.

There are a number of reasons why philanthropic research funding is low: science is a traditional public sector domain, especially in fundamental research; funding capabilities of foundations are dependent on economic cycles (yield on stock capital); only few private institutions can afford to fund science in a sustainable way; foundations have preferences for flexibility (not prepared to accept long-term obligations)/‘seed money’, for new approaches (methods as well as funding instruments), and wanting visibility.

In Germany, donations given to a science foundation are tax deductible up to 10% of an individual income. The same does apply to donations given directly to a university.

In this environment, the Stifterverband für die Deutsche Wissenschaft (‘association of founders promoting science and humanities in Germany’) is designed as a non-profit institution that operates exclusively with private funds. It receives a total of 30 million € in donations and contributions by its members each year.

Today around 3.000 German individuals and entities are members –wealthy private individuals, entrepreneurs, and international companies. Its fields of operation are funding programmes; endowment professorships; competitions between universities; promoting a philanthropy-friendly legal framework; consulting/ administration/asset management of around 400 German foundations holding around 2 billion € in stock capital.

The study suggests that pressure to secure more external funding and diversify income sources also calls for greater institutional autonomy (i.e. in management and strategy). More authority and autonomy of institutions is needed in tackling other types of demands too, such as the need for a higher degree of accountability to the environment and stakeholders, for taking responsibility for their own financial sustainability, and for national and international profiling and competition.

Tackling these challenges requires sound governance and strategic management balancing short-term project revenue with long term institutional development and investments (infrastructure); innovation and knowledge transfer anchored in the culture of the institution; enhanced accounting systems able to operate on full economic cost models; and commitments to support full research costs by national, European funding agencies.

It also necessitates more effective governing bodies, with a significant role in institutional strategy, accountability, and sustainability. Vice chancellors, presidents, rectors increasingly have to combine the roles of academic leadership with strategic business management. This is by no means an easy task. The challenges facing governors and managers of higher education institutions relate to how best they can introduce appropriate management techniques and incentives without undermining the fundamental mission of the institution.³⁰

Not all studies however show such a clear-cut shift in funding patterns across institutions in EU countries. The EU Joint Research Centre's Institute for Prospective and Technological Studies (IPTS) commissioned the CHINC project³¹ which investigated, based on a sample of 117 HEIs in 11 European countries the changes in income patterns and their impact on research and innovation activities. Bearing in mind the methodological limitations, CHINC provided meaningful results that are questioning some currently prevalent perceptions on the state of European Higher Education and Research (HE&R), namely:

- **Total income** for most (95%) institutions in the sample increased between 1995 and 2003 (of 3% per year on average). In most cases, funding grew faster than student enrolments. However, the universities that have grown a lot have been penalised due to the lack of elasticity versus the number of students.
- **Changes in funding composition** are evident but limited. Many institutions witnessed an increase in the share of grants and contracts and some a decrease in the share of general government allocations. The share of tuition fees has not increased significantly, their level differing highly between countries.
- Data is too scarce to determine unequivocally whether private funding is becoming a key funding source. It seems that **private funding is becoming significant for a minority of institutions only**. The prevailing model seems to be a funding structure

³⁰ OECD (2004), 'On the Edge. Securing a Sustainable Future for Higher Education'.

³¹ Results are reported in da Costa et. al. "Research in University: Changes and Challenges in Funding and Governance, IPTS, Joint Research Centre, EC.

where general government allocation accounts for 60-80% of total income, with the remainder coming from other sources, largely public grants and contracts.

An alternative way to approach the issue of diversification of funding at universities is to look directly at endowments and funding campaigns in different countries. The US has a tradition in giving (Box A.1.7). It is therefore of no surprise that US universities are in a league of their own with very large endowments throughout the university system and billion-dollar fundraising campaigns (Box A.1.8).

Box A.1.7. Characteristics of US higher education fundraising

- **Structure:** Development/fundraising proper (annual fund, major gifts, gift planning, principal gifts, corporate/foundation); alumni relations; external affairs/communications, advancement services (database, research, donor relations, prospect management).
- **Scale:** The scale varies among institutions. A typical small scale programme (about 20% of institutions) involves 5-20 staff, basic functions of Annual Fund, major gifts, alumni relations, Advancement Service, and may be raising \$1 to \$5 million per year. Medium scale programmes (about 50-60% of institutions) involve 25-75 staff, basic programmes plus Principal/Capital gifts, Gift Planning, constituent-focused positions, corporation/foundation efforts, and may be raising \$10 to \$50 million per year. Large scale programmes (20-30% of institutions) involve 100+ staff, balance between centralised and decentralised activities, comprehensive gift programmes (annual fund, major gifts, principal, estate/trusts, corporate/foundation), and may be raising \$100 million +. Growing number of \$1 billion + campaigns.

In the UK, the Council for Advancement and Support of Education (CASE) – an organisation whose membership of over 3000 world-wide (300 of which in Europe, of which 200 in the UK) reflects their commitment to fundraising – is a partner in a regular Higher Education Sector Survey of Gift Revenue and Costs in order to measure the ability of the UK university sector to attract philanthropic support as well as a means of measuring the ongoing fundraising performance at 81 participating UK universities.³² [See Box A.1.8 for a similar survey in France]

In its 2005-6 survey, it established that in total 81 institutions raised £417 million in philanthropic gifts, with an average of £5.1 million per university (this average is not typical of the group as the median was only £800,000). Sixteen universities raised more than £5 million in the fiscal year 2005/2006. The two largest universities account for over half of the total income of the group (£112 million, £108 million) and are the only two in the US-dominated billion-dollar campaign league; the next largest income is £21.5 million..

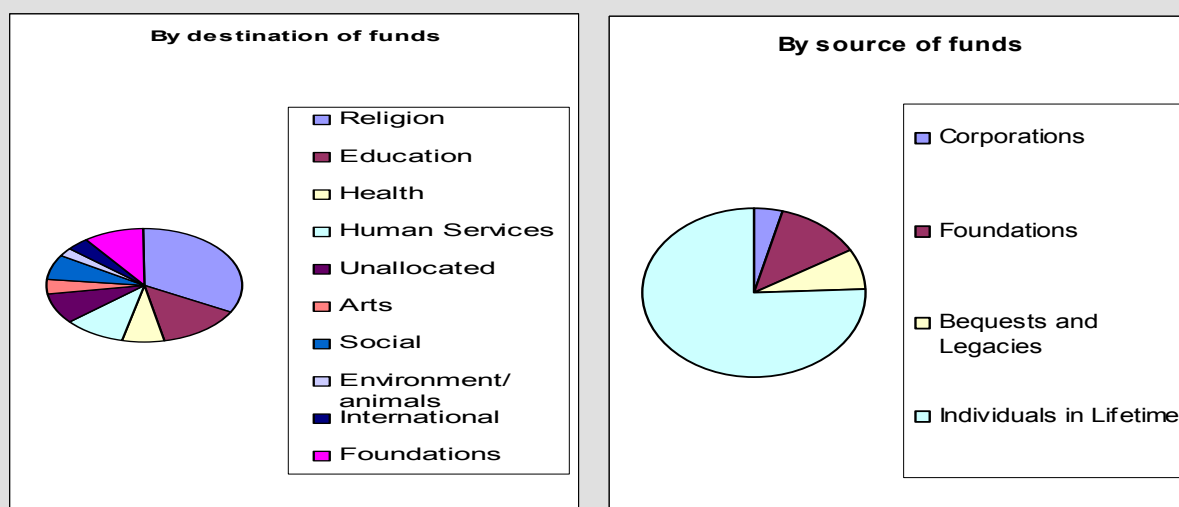
³² 2005-6 *Higher Education Sector Survey of Gift Revenue and Costs*, Council for Advancement and Support of Education (CASE), and Ross Group, UK.

There were a number of promising conclusions that can be drawn from the survey. One was the emergence of a second tier of institutions (after the largest two universities in fundraising terms) who are consistently raising substantial amounts with an increasing degree of predictability. A second was a growing robustness and professionalism of fundraising within the sector, with a correspondingly important contribution to Higher Education in the UK.

Box A.1.7. Philanthropic giving in the United States

The United States has a long tradition in philanthropic giving, including for education. Donations to all non-profit causes were \$295 billion in 2006 (*Giving USA 2007* data) or 2.2% of GDP, significantly higher than the EU (0.1% to 0.8% of GDP). Three-quarters of that was donated by individuals. Of the total, 13.9% was directed to education. Of the \$28 billion of voluntary support to education, 30% was provided by alumni, 25.4% by foundations and 20% by non-alumni individuals.

US donations to all non-profit causes in 2006 (total \$295 billion)



Voluntary support for US higher education in 2006 (total \$28 billion)

WHO GIVES?

1. Alumni	\$8,400	million	(30%)
2. Non-alumni Individuals	\$5,700		(20.4%)
3. Corporations	\$4,600		(16.4%)
4. Foundations	\$7,100		(25.4%)
5. Other Organizations	\$2,200		(7.8%)

FOR WHICH PURPOSE?

1. Current Operations	\$15,000	million	(53.6%)
2. Capital	\$13,000		(46.4%)

Source: Council for Aid to Education, NY, 2006

Box A.1.8. Trends in university fundraising in France

For a long time, French HEIs have collected funds from companies by means of the education and training tax ('taxe d'apprentissage'). In addition, some schools created their foundation (the HEC Foundation was created in 1972!). But a genuine reflection around the issue of fundraising only started in the end of the 1990s. The pioneers were HEC, INSEAD and Catholic University in Lille. Today, many HEIs are thinking about fundraising, but few are actually implementing a strategic fundraising policy, going beyond isolated actions.

A recent inventory based on a study undertaken by the CERPHI in 2006, on a sample of 87 HEIs, shows that of the 87 HEIs analysed, 43% (37 HEIs) have carried out fundraising actions in 2005-2006, and 70% of these 37 HEIs only started since 2000. 17 HEIs out of the 37 collected between EUR 100,000 and 500,000, which was in line with objectives, or even higher. Only 5% exceeded 5 M EUR. In addition, 20% of the HEIs carry out currently a study on this topic even if they do not plan any activity in this regard in 2006-2007.

According to the CERPHI study, business schools are particularly active in fundraising. The public or private statute however does not seem to play an important role in explaining fundraising since public institutions accounted for 57% of institutions that have collected in 2005-6 (and even a flagship of the public service such as Sciences Po announced its first campaign). Few HEIs have a development office or a person in charge of development. Generally, this is managed by the communication department. Where there is a professional structure, its functions can vary, from the relation with alumni to the relation with enterprises.

HEIs use the funds collected to finance chairs, innovatory courses, grants for foreign students (capacity to attract international students became one of the criteria of attractiveness and competitiveness of a HEI), and technological equipment. Research and education programmes are the major destination of the funds collected (57% and 68 % respectively). The financing

of buildings, widespread in the US, is little developed in France. It seems indeed very difficult to mobilise the private individuals and companies towards financing of infrastructures.

Companies are the key target of the fundraising by French HEIs. This may be explained by the education and training tax that they are required to pay, but also by former graduates sitting on the board of large companies. Research contracts also are a considerable element of the relation between the HEIs and the companies. Even if the CERPHI study takes into account this kind of collaboration, it cannot be considered as a practice of fundraising. The fundraising is indeed defined by the law (General Tax Code) as being ‘without counterpart’.

Alumni are obviously the second target. However, several HEIs do not have databases of their alumni or chose to leave this highly strategic ‘raw material’ to the hands of independent alumni associations with no strategic link to the HEI’s. Big private donors (often former students) are a privileged target. Sometimes, they can be located thanks to prospective research carried out by the network of the administrators of the HEI.

The situation in the UK is singled out because university fundraising for research is more common and successful in that country than in other EU countries. Despite this growth, however, the UK sector continues to lag seriously behind US universities, in terms of funds raised, rates of alumni giving, endowment levels and fundraising campaigns. The gap between the sum of the ten largest university endowments in the UK and US, for example, has widened by some £12.5 billion during the last three years alone.

The UK however has faced or is facing a number of challenges that it seems likely await other countries and universities only now seriously embarking in fundraising: building a culture of giving but before that a culture of asking; shaping external influences (such as tax systems); cultivating leadership; learning to recruit and train the right staff; as well as developing the right tools (databases) and structures (alumni associations, foundations).

Annex Chapter 2. An evolving philanthropic sector

The previous Annex Chapter provided background to the discussion in the main body of the report by examining the evolving landscape of university funding in Europe, in particular regarding university fundraising for research from philanthropic sources. This Annex Chapter examines the other side of the coin: the characteristics and role of the European philanthropy sector, and in particular of foundations, drawing largely from the analysis in the previous report *Giving More in Europe*.

A.2.1. The changing nature of philanthropy

The philanthropic sector in Europe has a long and distinguished history of support of worthy causes, research being one of them, even if it has always been only one of their many objectives. What is however particularly interesting in the current context is the emergence – in both the US and Europe – of new philanthropic practices. ‘Venture philanthropy’ as it has come to be called involves, in addition to supporting causes, also paying particular attention to improve the management practices, growth and performance of the organisations funded.

It is increasingly the case that grantmakers now conduct extensive due diligence before deciding who to fund, much like an investor would before buying a company. foundations offer management advice to the organisations they fund and teach them how to raise money and grow. Donors have also become more demanding and increasingly expect detailed accounts of how their money is spent. There is increased emphasis on social return, performance metrics and scalability, and accompanying that a premium is put on transparency and accountability.

These changes have trickled from the tiny portion of strictly defined venture philanthropists - who command million of dollars or Euro in annual grants - all the way to the large foundations. They have also in many cases changed the strategy of philanthropists and foundations, away from scattering grants across dozens of smaller projects and towards supporting a smaller number of organisations that can prove their results.

It is in this new context that it is important to examine the role foundations play in supporting research in universities. While there is no accurate breakdown of university research funding based on the different philanthropic sources (foundations, trusts, charities, non-profit associations, corporate donors, private individuals, alumni), it is clear that foundations are an important part of overall philanthropic efforts to support university research (see Box A.2.1). Any discussion therefore on the role that philanthropy can play in increasing the European university research effort needs to be based on a solid understanding of the nature, role and importance of foundations.

A.2.2. The nature and role of foundations

In general, foundations are private entities serving public goals. Developing a generic definition of ‘foundation’ to be applied throughout Europe is however hampered by the fact that no common legal definition of the term exists across the EU. There are legal definitions that reflect either common law traditions with an emphasis on trusteeship (United States, the United Kingdom), or civil law traditions (e.g. Switzerland and Germany), with the important distinction between legal personalities based on either membership or assets.³³ Other definitions focus on the type of founder (private or public), purpose (charitable or other), activities (grant-making or operating), revenue structure (single or multiple funding sources), asset type (endowment or allocations), and degree of independence.

Nevertheless, there is a generally understood and accepted concept³⁴ of what public benefit foundations are, which illustrates the key common features shared by foundations. The European Foundation Centre (EFC) defines a foundation as being an independent, separately constituted non-profit body with its own governing board and with its own source of income whether or not exclusively from an endowment.

In a recent project on European foundations by Anheier and Daly (2005)³⁵ it is suggested that the following characteristics must be met for a foundation:

- **It must be an *asset-based entity, financial or otherwise*.** The foundation must rest on an original deed, typically a charter that gives the entity both intent of purpose and relative permanence as an organisation.
- **It must be a *non-governmental entity*.** foundations are institutionally separate from government, and are ‘non-governmental’ in the sense of being structurally separate from public agencies. Therefore, foundations do not exercise governmental authority and are outside direct majority control.
- **It must be a *self-governing entity*.** foundations are equipped to control their own activities. Some private foundations are tightly controlled either by governmental agencies or corporations, and function as parts of these other institutions, even though they are structurally separate.
- **It must be a *non-profit-distributing entity*.** foundations are not to return profits generated by either use of assets or commercial activities to their owners, members, trustees or directors as income. In this sense, commercial goals neither principally nor primarily guide foundations.

³³ For an overview of the legal framework and taxation treatments of foundations in European countries, see: European Foundation Centre (2002) foundations in the European Union: Profiling Legal and Fiscal Environments. Brussels, European Foundation Centre.

³⁴ This has been articulated by the European Foundation Centre (EFC) and its members www.efc.be

³⁵ Anheier, H.K. & Daly, S., (2005) eds. The Politics of foundations: Perspectives from Europe and Beyond. London, Routledge.

- **It must serve a *public purpose*.** foundations should do more than serve the needs of a narrowly defined social group or category, such as members of a family, or a closed circle of beneficiaries. foundations are private assets that serve a public purpose.

Box A.2.1. Examples of foundations that contribute to university research funding

- The Wellcome Trust, which spends about £600 million each year to support biomedical research, funds university researchers through project, programme, fellowship and studentship grants. The Trust complements its support for individual researchers and teams with funding to strengthen research infrastructure in UK universities. For example, from 2000-2005, the Trust contributed over £420 million to the Joint Infrastructure Fund (JIF) and the Science Research Investment Fund (SRIF) in partnership with the UK Government. The Trust also funds Clinical Research Facilities (CRFs) based in eleven UK universities to improve translation of the results of basic biomedical research into treatments and techniques that are effective in the clinic.
- The Volkswagen Foundation (DE) has allocated to date €3 billion to projects in Germany and all over the world, providing funding notably for projects in all disciplines to academic institutions in Germany and abroad.

A.2.3. Drawing a panorama of foundations

The report *Giving More in Europe* noted that the landscape of foundations in Europe is characterised by a high degree of heterogeneity which is reflected in their organisation, governance, operating conditions, legal status, tax treatment and regulation. Given this heterogeneity and the lack of overall information on the foundation sector, drawing a panorama of foundations in Europe presents a real challenge.

The European Foundation Centre (EFC) Research Task Force undertook a mapping exercise on the foundation sector in selected EU countries involving national researchers and foundation networks in 2003/2004.³⁶ The survey estimated that there were some 62,000 foundations operating in the ‘old’ 15 Member States in 2001 with a contrasted geographical distribution. At the same time, there has been a new momentum for the foundation sector, with available figures suggesting a high growth rate in the sector in some EU countries.

Behind the differences between countries in the number of active foundations lie important national differences in attitudes to giving and thereby total charity funding. Giving cultures are very different: in the United States, giving is an accepted badge of social standing and

³⁶ Survey “Dimensions of the foundations sector in EU countries 2003-04” – an initiative of the EFC Research Task Force with the support of the King Baudouin Foundation.

evidence of professional success to causes where the donor is active. It is regular, following an established method. In contrast, in most European countries, giving is altruistic, typically an act of selflessness, a private affair, in response to need – rarely reflects a pattern

The European Foundation Centre (EFC) has also developed a typology of foundations in Europe, in collaboration with its members (see Table A.2.2)³⁷. This is based on three elements of foundations: financial resources; control of decision-making; and the way they distribute resources. On this basis, the EFC has arrived at four generic categories of foundations:

- **Independent foundations** comprise a significant proportion of foundations in Europe. The original endowment establishing the foundation usually comes from an individual or family donation, and it makes grants and operates programmes on the proceeds of this. Independent foundations also cover prize-giving foundations, such as the Nobel Foundation, and those that receive funding from lottery proceeds.
- **Corporate foundations** are separately constituted foundations established by a company, which depend primarily on annual support from that company for their programmes (i.e. where the foundation's investment portfolio includes a percentage of the voting shares in a company that exceeds 50% and this investment constitutes more than 50% of the capital with which the foundation fulfils its mission).
- **Government-supported foundations** include national, intergovernmental and supranational governed foundations, with the government body that established the foundation controlling the key positions of the trustees. Funding generally comes directly from the government although other sources of income may be sought.
- **Community foundations or 'Fundraising foundations'** are a recent trend in many member states although they have a longer tradition in some member states (for example the UK). These foundations serve as vehicles to mobilise and leverage resources from individuals, public and private donors of a particular community (region/town) They collect, manage and redistribute these resources with a view to furthering a wide variety of public benefit purposes.

Looking at existing foundations across Europe, independent foundations are the most common type, ranging from above 50 % in Sweden to over 90% in Germany, Italy and the UK. Government-supported foundations can be found in most member states, ranging from under 6% in France, Italy and Germany to 16-19% in Sweden and Belgium. Corporate foundations form the third most important category.

It is important to focus also on the different modes of operations of foundations, irrespective of their type. In this context, we can distinguish those that are either grant-giving or prize-awarding, or which operate their own projects and programmes:

³⁷ See www.efc.be/ftp/public/EU/EURweb/EFCTypology.pdf

Table A.2.2. Different types of foundations

	Type of foundation	Founder		Activities	Principal Funding
Private foundations	Independent Foundation	- Private individuals or - Corporate	Individual Donor(s)	- Operating - Grant making - Prizes - Mixed	- Initial capital - single/ infrequent gift
	Family foundation	- Private individuals	Family	- Operating - Grant making - Prizes - Mixed	- Initial capital
	Corporate foundation	Corporate		- Operating - Grant making - Prizes - Mixed	- annual company grants
Public foundations	Government-related foundations	Public Sector	- Government - Public agencies - Political Party	- Operating - Grant making - Prizes - Mixed	- initial govt. capital or - periodic government grants
Community foundation		Members of a community	Individuals, Public sector, Private sector	- Grant making	- fundraising
Fundraising foundation		Individuals, families or Public Sector		- Primarily grant making	- annual fundraising

Source: Based on European Foundation Centre work.

- **Grant-making foundations** are usually endowed organisations that primarily engage in grant-making for specified purposes. Examples in Europe include the Leverhulme Trust in the UK, and the Volkswagen Foundation in Germany. There are however some notable grant-making charities that raise funds from the public (for example, Cancer Research UK). Whereas in the US, over 90% of existing foundations are grant-making, the majority in Europe are either operating, or pursue their objectives by combining grant-making activities with running their own, direct activities.
- **Operating foundations** primarily operate own programmes and projects (example: the Institut Pasteur). Historically, foundations were primarily operating institutions, e.g. hospitals, orphanages and universities, although many did distribute money and contributions in kind. Of those that support R&D, most combine their financial resources for R&D with resources of infrastructure and human capital.

Irrespective of their mode of operation, foundations are active in almost every field of citizens' lives. They are increasingly moving into areas that are, or were previously, the responsibility of public authorities, and are thus broadening the scope of their activities. Nevertheless, the survey carried out by the EFC Research Task Force shows that foundations active in Europe concentrate their action and/or the bulk of their resources in key sectors, namely social services, health, science, education & training and arts and culture.

The assets that are held by foundations are an important indicator of the financial weight of the foundation sector. In a survey by the EFC Research Task Force in 8 EU countries, over 26,000 foundations were found to have combined assets totalling some EUR 172 billion - an average of over EUR 6 million per foundation surveyed. The survey compiled assets on the basis of their book value and not their market value. The latter would of course be significantly higher. Almost all foundations included in the survey's top 10 in terms of assets support research activities in the field of science, health, social sciences or the environment.

The EFC Research Task Force data collection shows that in the European countries surveyed, some 26,000 foundations have a total expenditure of over EUR 51 billion - an average of almost EUR 2 million per foundation surveyed.

A.2.4. Accounting for national differences

The diversity of foundations in Europe reflects not only differences in perceptions and attitudes towards giving, but also the diverse legal and regulatory environments within which foundations operate. Work by the EFC has shown that this variety of operating environments of foundations across Europe stretches from the legal requirements for establishing a foundation, to their tax and regulatory treatment (see Annex Tables 2.1 and 2.2)³⁸.

State approval for establishing a foundation. Requirements for establishing a foundation vary. In half of EU countries some type of state approval either from the state or from an independent regulator is needed to set up a foundation. In the other half, foundations need to register either with an authority or a court. Only in Sweden, is a foundation established as soon as the legal requirements are fulfilled – without State approval or recognition, and only certain types of foundations need to register with the authorities. In most EU countries, foundations are under the supervision of a state authority or an independent regulator established by the state, though the nature of these supervisory authorities and their regulatory powers differs considerably.

Starting capital. To establish a foundation, some member states require a minimum capital (by law or in practice) while others require that the assets are sufficient to pursue the stated purpose of the foundation (for example, approximately 25,000 EUR in Belgium and Finland, 30,000 EUR in Spain and up to around 1 million EUR for 'public utility foundations' in France). Bulgaria, Cyprus, Estonia, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovenia, Sweden, and the UK do not require a minimum capital.

Permitted purposes of a foundation. Approximately half of the EU countries describe foundations as organisations that pursue public benefit purposes only. Bulgaria, Denmark, Estonia, Germany, Greece, Finland, Malta, the Netherlands, Sweden admit public benefit purposes as well as private purposes. In Austria and Belgium, foundations which pursue private purposes are governed by special legal regimes. In Cyprus and Italy the permitted

³⁸ European Foundation Centre (2004), *foundations in the European Union - Legal and Tax Comparative Overview: Highlights*.

purposes depend on the type of foundation. In Latvia, foundations can pursue public and private purposes, except profit-making. In Finland any ‘useful purpose’ is permitted.

Tax treatment of public benefit foundations. All EU Member States provide special tax treatment for foundations within their national boundary, though there is no common approach to defining the public benefit criteria that could qualify for tax relief, and procedures for obtaining tax relief vary. A foundation’s investment income is tax exempt in most Member States. foundations are, in the majority of the countries, also exempt from gift and inheritance tax, but subject to a reduced gift- and inheritance tax.

Is economic activity allowed for public benefit foundations? It is a common characteristic of European countries that economic activity is allowed when it is related to the public benefit purposes and the mission of the foundation. Slovakia and the Czech Republic only allow some very specific economic activities listed in the law.

Tax treatment of donations to public benefit foundations. In the majority of EU member states both individual and corporate donors are entitled to claim tax relief mostly in form of a tax deduction, rather than a tax credit. Slovakia does not have tax incentives for individual and corporate donors, while Finland, Malta, Lithuania and Sweden only provide some tax incentives for cooperate giving, while individual donors do not. Furthermore the rates and limits of the tax deduction or credit vary significantly from one Member State to the next.

A.2.5. Networking and the international dimension

Most foundations operate at local, regional or national level rather than at European or international levels. However, there is a growing trend towards cross-border activity both within and outside the EU. Recent research has shown that many foundations in Europe are both interested and engaged in developing a more European, and/or a more global role.

foundations that are active beyond their national borders may face a number of legal and fiscal barriers. Establishing a European area that is meaningful to foundations and their donors requires tackling existing legal and fiscal barriers to cross-border giving and cross-border activities of foundations. Whereas most Member States allow the creation of a foundation that destines its fund abroad or conducts cross-border activities, this foundation and their donors are typically not able to benefit from tax relief outside their own country.

This could be in conflict with the EC Treaty. The European Commission has launched some infringement procedures and asked some member states to review their tax legislation in this respect. A preliminary ruling of the European Court of Justice on a German/Portuguese case of cross-border donations is awaited in the coming months. This could be an important breakthrough for cross-border giving.

At present however tax-effective charitable giving begins and ends at home. Almost all EU countries refuse income tax deductibility on donations made by individual and corporate donors to foreign foundations or on donations made by donors from other Member States.

This is a significant barrier to cross-border giving. Only a few Members States have opened the door.

In recent years, some foundations have come together to rethink and promote a more favourable environment for their operations. At EU level, the EFC EU Committee has drawn up a Model Law for public benefit foundations in Europe. This template is based on a comparative study of the different legal and tax systems for foundations in Europe. Some foundations in France, Spain and Portugal have used this template to facilitate the revision of their respective legal set-up and fiscal provisions.

Creating a more favourable environment for European foundations in general, and for cross-border activities in particular, will involve initiatives at an EU, as well as national level. EU proposals regarding foundations and their operating environment have been very limited. A communication from the European Commission issued in 1997 entitled “Promoting the role of voluntary organisations and foundations in Europe”³⁹ refers to the foundation sector but places its emphasis on associations rather than on foundations.

foundations have been touched upon in the proposal for reforming European company law. The EC stated in its 2003 Action Plan for Company Law in Europe⁴⁰ that it intends to launch a feasibility study on the development of a European Foundation Statute. In this framework, the EFC drew up a proposal for a European Foundation Statute in 2004⁴¹. A growing number of foundations work beyond their national borders and the existing legal regimes do not meet their needs. The EFC proposal for a European Foundation Statute is intended to be an additional and optional legal instrument to existing national instruments, and it is aimed at facilitating and enhancing foundations’ cross-border activities.

A.2.6. Research foundations⁴²

This report does not consider foundations in general but rather focuses on foundations that carry out or fund research and development activities. These have been defined as private entities serving public purposes whose funding or activities are directed towards R&D, though not necessarily at the exclusion of other goals it may pursue.

As the report *Giving More for Research in Europe* noted, research foundations add value to research efforts in a variety of ways. They can increase the volume of research funds for fundamental research and research in orphan areas or early-stage applied research which is not sufficiently developed to attract industry funding. They can help further European integration through their support of cross-border research projects that are not yet supported by existing mechanisms (FP, national programmes etc...); they have the flexibility to fund interdisciplinary research projects; they can set up research centres, fund new buildings,

³⁹ European Commission, “Promoting The Role of Voluntary Organisations And foundations in Europe”, COM (597) 241 Final

⁴⁰ COM (2003) 284 Final

⁴¹ The EFC proposal is available at http://www.efc.be/projects/eu/legal/European_statute.htm

⁴² Drawing on the report *Giving More for Research in Europe*.

laboratories and equipment; they can promote collaboration and finance researchers at all levels of the research career ladder; they can provide a structure to fund small projects and working within a strategy to deliver their own missions they can fund research independent of the drivers of industry and government.

In addition, the role of foundations in supporting research includes improving science's public understanding; encourage networking between foundations interested in supporting research; improve partnerships at international level on common projects; share experiences/methodologies; invest on Foresight Studies and in strategic planning; improve relationship with the scientific community; invest in peer reviewing, transparency and impact analysis; increase co-operation for setting up private and public funding schemes; invest on technology transfer with appropriate funding schemes; invest in young researchers' careers.

Existing data suggest that the private non-profit sector as a whole accounts for a very small share of the overall R&D effort in most EU countries, and accounts for a fraction of a percent of overall GDP. In the UK for example, one of the more active countries in terms of charitable activity, charities disbursed over £3.5 billion to UK research from 2000-2005, with 15% of R&D in UK universities is funded by UK charities, and 75% of that devoted to life sciences and medicine.

The impact of investment in R&D by foundations in Europe should not however be assessed solely on the absolute figures for foundations' support of R&D. foundations not only bring with them money but also special competences and unique characteristics which contribute an important aspect in the pluralism of R&D funding. Foundation support tends to be concentrated in certain research areas (in particular biomedicine). Their grant-making is mostly in universities, where in order to ensure that their funding is directed at delivering their own specific mission and goals, this is often focused on the direct costs of the research and not so evidently on the total costs.

The funding of research by foundations is by no means uniform across research disciplines; support for research connected to biosciences (biomedicine in particular) is the most common discipline funded by research foundations. This to an extent follows what the public wants to give money to (either by endowing a foundation or by giving funds to a fundraising foundation) but also reflects the nature of foundations as public benefit entities, which favours support of research that can be most easily demonstrated to fulfil this obligation.

This concentration of research foundation support has obvious benefits. It has been argued however, that the narrow focus of research foundations at the same time creates a distortion. It may act as a barrier to the setting up of foundations in support of research into a wider range of subjects, which may offer significant opportunities for technology transfer to the commercial sector, such as in communications and engineering, or social science research.

Funding of research by foundations in many cases does not cover all types of expenditures associated with research. This may, in part, be traced to the rules applying to charitable foundations and it has a direct impact upon the volume and nature of research funding and its value to funding recipients such as universities.

foundations, particularly those associated with health research funding, often consider that the indirect costs associated with conducting research (i.e. the running costs of support services, as well as the costs of buildings, equipment and technicians) as the responsibility of government. In addition they sometimes argue that their philanthropic funding is normally focused towards delivering a specific goal, or outcome, and is closely tied to the Philanthropist's of Organisation's mission.

As a consequence, when foundations fund research in a university they often fund only what they define as legitimate direct costs, excluding any contribution to the infrastructure of the university in which the work is conducted. These arrangements have a number of consequences for universities. The concentration of foundation research funding in particular areas, coupled with the rules governing the operation of foundations, often results in the failure to fund the research completely, even with government help. .

The issue of closing the gap between the full cost of foundation-sponsored research and the funds currently available from universities and foundations is an important one. It entails both rebalancing the support from the foundations towards infrastructural elements as well as increased public support for such research provided through government funding bodies. In the UK for example, the government has moved to address the issue of indirect costs.

Another important aspect of the work of R&D grant-making foundations is their approach to the ownership and exploitation of intellectual property arising from the research they fund and how they share in the benefits arising from any commercial exploitation of such IP.

Research in areas where foundation activity tends to be focussed (i.e., biomedical research) can be a long-term and expensive activity. The period between a discovery in basic research and the development and availability of new medical products and devices is a long and complex one. The development of new medical products and devices is therefore usually beyond the resources and expertise of R&D foundations. If research is eventually to bring benefits to patients, the involvement of commercial partners in bringing new diagnostics and treatments to market is thus essential.

The issues regarding revenue sharing on commercially-exploited foundation-funded research are complex and include the treatment of direct exploitation and technology transfer costs as well as investor share (see Box A.2.2 for an example from an Italian foundation). In the UK for example, one proposed model accommodates the possibility that the charity rather than the research institute or university might be responsible for technology transfer. By setting out explicitly how these various costs will be met, the model framework should encourage the most appropriate body to take the lead.

Box A.2.2. Cariplo foundation and scientific research

- **Mission:** Cariplo Foundation was established in 1991 as a non profit organisation with the purpose of supporting development, innovation and social growth in scientific research and technology transfer, art & culture, environment, and social services. The origin of its endowment: private savings bank acting for public purposes since 1823 ; created in one step in 1997 in the process of privatisation and using endowment for public purposes.
- **Method:** Prevailingly a grant-making foundation. Projects are selected through ‘Calls for Proposals’ in accordance with the ‘Multi-year Action Plan’. In recent years elaborating and carrying out Own Projects: NOBEL project (Network for the Bio-medicine Centre of Excellence in Lombardy); VC Fund for Technology Transfer; Program Related Investments; Social Housing Fund (ethical real estate fund); Est project (Educating in Science and Technology); Community foundations (Development of local philanthropy). The foundation acts as a catalyst improving the level of cooperation between foundations at least at national level (i.e. the agrofood national R&D programme)
- **Financials:** Assets of 8,2 billion € (2006 data); 179 million grants allocated. Two fundamental principles of CF financial model: long term (10 years) preservation of net assets’ market value; grants allocation yearly rate: 2% net assets. Grants go to arts and culture (30%); research (20%); social services (26%); environment (3%); various (21%)
- **Organisation:** 45 management and staff; Stakeholders: Non profit organisations; civil society; local & central authorities; universities & research institutes.
- **CF and research:** In the last five years, CF has increased funding significantly in the research sector: grants totalling 33 million € - corresponding to 20% of total grants - were approved in 2006. Based on this the foundation is ranked among the top private financing bodies at national level. This level of granting has been achieved through a general improvement of strategic planning and by the design of innovative methodologies and funding schemes (i.e. the ‘international recruitment programme for young scientists’ or the biomedicine technology platforms)
- **CF and research results:** Between 2001 and 2006, the scientific research and technology transfer sector of CF received about 2.000 funding request applications, appraised 1.500 projects, funded 450 projects (400 relative to calls for proposals and 50 special projects)
- **TT Venture Technology Transfer Fund:** invests its endowment in joint venture projects and initiatives between Enterprises and University Research. The investment fund involves several banking foundations in Italy with the aim of boosting the exploitation of R&D results. The TT Venture Fund will invest principally in seed, start-up and development initiatives, and residually in international venture capital funds. Sectors: biomedicine, material science, agro-food, energy and environmental technologies.

The question of IP is particularly important in the case of research done in universities (see Box A.2.3 for an example of IP handling by a large UK charity). Universities claim ownership in the first instance of publicly-funded research results and not the individual academic member of staff. This has allowed many research-intensive universities to develop significant exploitation vehicles by appropriate combinations of IP and to generate significant amounts of value through the creation of spin-out companies and through licensing agreements.

Box A.2.3. Handling IP issues at universities: the case of the Wellcome Trust

Intellectual property (IP) protection is a valuable tool that can provide incentives for the translation of research results into products that benefit public health. The Wellcome Trust works with universities on a case-by-case basis to ensure that Trust-funded IP is protected and exploited in a way that best achieves the Trust's mission. It also seeks to promote access to research results to the greatest extent possible so that they may form the basis of future discoveries and lead to the greatest possible public benefit.

The Trust's grant conditions require funded universities to consider whether the protection, management and exploitation of Trust-funded IP is an appropriate means of achieving public benefit. If the university decides to obtain IP protection, it retains title to the IP but must obtain prior written consent from the Trust before making commercial use of, or granting to any third party any exploitation rights over, the IP. As a condition of granting consent, the Trust may recommend particular licensing conditions, such as non-exclusive licensing, or reserving rights for research use.

In some circumstances, the Trust includes in funding agreements more specific IP protection and management conditions. For example, in projects that involve production of large-scale datasets (e.g. the International Human Genome Project, the HapMap project, and the SNP Consortium), the Trust has taken an approach that focuses on releasing data as quickly and freely as possible in order to facilitate further research.

One important role of foundations is to provide funding that bridges the gap between fundamental research and commercial application. In general, foundation-funded research must be undertaken with the intention that the knowledge acquired from the research will be disseminated to those able to utilise or benefit from it and so advance the foundation's public benefit purposes. The obligation to disseminate and make publicly available the useful results of research may be met in a variety of ways, for example by formal publication of papers or, where the results of research produce IP rights which are protected by patent, the act of registering a patent may in itself in certain circumstances amount to adequate dissemination. In the US, there are interesting new approaches to addressing this issue (see Box A.2.4).

Box A.2.4. A Mechanism for Facilitating Technology Transfer in the US

The problem: In healthcare, we are failing to develop and commercialise the majority of promising research as university technology transfer is inefficient; discoveries that could lead to new medical devices, therapeutic drugs, and other life-saving technologies are languishing within the walls of universities, or the university IP resides in the hands of small companies with inadequate capital to exploit it.

Alfred Mann, a successful inventor and entrepreneur, was convinced that technology transfer is not working and that directed philanthropy is a solution; he committed his entire current and future estate in order to better harness the biomedical research of universities into commercialisation by speeding the transfer of technology.

The plan: creation of 12 to 15 Institutes for Biomedical Development, in association with selected universities, with financial resources to start and guide the commercialisation of promising research, with funding of \$150 m to \$200m. The Alfred Mann Institute (AMI) at USC was the first of these (2001), followed by the Technion University (2007), Purdue.

Operation of the AMIs: Each AMI is a non-profit corporation, affiliated, and located within the university; governed by a Board: half university, half outsiders; funded through earnings from the endowment; the Executive Director works closely with academic staff from bioengineering, medical school and the basic sciences to select and manage projects; all projects have defined commercial goals, via 40-70 staff; institute licenses a very select and small portion of university IP; income is shared among inventors, university, the Institute, and the Alfred. E. Mann umbrella organisation, which acts as coordinator and facilitator.

Character of AMIs. The AMIs are industrial-style biomedical product commercialisation entities; their function is to perfect and substantially increase the value of university IP; designed to function in an 'evergreen', perpetual mode (80% of revenues returned to the university, of which 40% to the AMI endowment, and 40% to the university's General Fund). An AMI undertakes translational research, engineering model, proof of concept, technical feasibility study, clinical feasibility study, product architecture, industrial design, engineering, manufacturing process validation, clinical studies.

Key IP elements of an AMI: The University provides disclosures to the AMI to enable the identification of potential programmes where an AMI can add value. The AMI and inventors develop collaborative discussions around potential programmes, which ultimately lead to the AMI providing an in depth review of select technologies. The programmes that the AMI ultimately develop require majority vote by the university Board of Directors. The University therefore retains significant control over which technologies to develop within an AMI.

Summary of AMI benefits: An AMI brings needed market-driven, commercial product design and development skills and resources to the university campus. The probability of commercialisation with higher rates of return is increased through concept validation through extensive market analysis, industry standard product development process, an exit strategy for the technology after advancing to later stage development.

Annex Tables

Annex Table 1. Foundation national legal and regulatory environments in the EU

Summary of information provided by EFC (data as at August 2007) Source: EFC legal and fiscal country profiles http://www.efc.be/projects/eu/legal/country_profiles.asp and comparative charts of the legal and fiscal environments of foundations across the EU <http://www.efc.be/ftp/public/Legal/FoundationLawsEU.pdf>

Legal definition. No common legal definition of the term foundation exists in Europe. In civil law countries foundations are a corporate legal form, distinguished from associations, companies, mutual societies and co-operatives. In most civil law countries tax exemption is only granted if the organisation follows additional requirements. In the common law countries charities are organisations which can take different legal forms but which pursue charitable purposes. Nevertheless, there is across the EU a generally understood and accepted concept of what public benefit foundations are: Independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programmes (this functional definition was developed by the EFC)⁴³.

Different types of foundations. Most Member States distinguish different types of foundations (be it a legal distinction or an attempt to categorise the variety of foundations that can be found): Public law, church law and civil law foundations; autonomous foundations (with legal personality) and non-autonomous foundations; public benefit purpose and private benefit purpose (e.g. family or company interest or commercial foundations) foundations; Grantmaking or operational foundations; fundraising foundations; foundations set up by companies or by individuals; personnel foundations; etc. Some of the biggest European foundations form a separate type of foundation (also covered by a special legal regime) – these are Italian foundations of banking origin (formed through the privatisation process of Italian savings banks).

<i>Country</i>	<i>Foundation Purposes</i>	<i>Minimum capital</i>	<i>State approval</i>	<i>Economic activity</i>	<i>Supervision</i>
Austria	Public benefit (private: special act)	Not for public foundations, private foundations: 70,000 euros.	Yes	Yes, but purpose related	Foundation authority – auditors appointed by court
Belgium	Public benefit	In practice 25,000 eur	Yes	Yes	Ministry of Justice and court,

⁴³ “Working with foundations in Europe: Why and How”, EFC, Brussels 2001

	(private: special rules act)				National Bank
Bulgaria	Any legal purpose	No	No	Yes, but purpose related and ancillary.	Ministry of Justice, State Financial Control
Cyprus	Both public and private benefit depending on the type of foundation	No	Depends on legal form	Yes, if it supports purpose	Depends on legal form
Czech Republic	Public benefit only	Yes, approximately 18,000 euros	No	No, but some exceptions exist	The Registration Court
Denmark	Any legal purpose	34,000 euros for non-commercial foundations, 40,000 euros for commercial foundations.	No	Yes	Ministry of Justice, Ministry of Commerce
Estonia	Any legal purpose	No	No	Yes, if it supports purpose	The Registry of Non-Profit Organisations and foundations, supervised by the Ministry of Justice
Finland	Any 'useful' purpose	25,000 euros	Yes	Yes, but purpose related and ancillary	National Board of Patent and Registration
France	Only public benefit purposes.	Up to 1 million euros	Yes	Yes, if it supports purpose	Ministry of Interior and the Préfect du Département
Germany	Any legal purpose	In practice 50,000 euros	Yes	Yes	Länder-specific supervision
Greece	Any legal purpose	No, but assets have to be sufficient to fulfil the purposes of the foundation.	Yes	Yes, but purpose related	Ministry of Finance, Council of National Bequests
Hungary	Only public benefit purposes.	No, but assets have to be sufficient to fulfil the purposes of the foundation. Approximately 400-1,000 euros is required by the authorities.	No	Yes, but purpose related	Public prosecutor's office and State Audit Office
Ireland	Public 'benefit' only	No	Yes	Yes, if purpose-related.	Irish Revenue Commissioners

Italy	No. Public and private benefit depending on the legal form.	No, but assets have to be sufficient to fulfil the purposes. 100,000 euros is in practice required by the authorities.	No	Yes, if ancillary and not in conflict with the objectives of the foundation. The type of economic activities permitted depends on the type of foundation.	Prefettura or regional administration. foundations established before 2000 fall under the supervision of the competent Ministry.
Latvia	Any legal purpose (except profit-making)	No	No	Yes, if it supports purpose	Ministry of Finance
Lithuania	Public benefit only	No	No	Yes, if it supports purpose	State Tax Inspectorate
Luxembourg	Public 'benefit' only	No	Yes	Yes, if not the primary activity.	Ministry of Justice/courts
Malta	Any legal purpose	Yes, approximately 240 euros for social purpose foundations and 1,200 euros for other foundations	Yes for foundations registered as 'voluntary' organisations	No, but may hold commercial property in a passive manner, receive rents, dividends and royalties and make profits from limited trading activities in the context of fundraising	Commissioner of Inland Revenue for public benefit foundations - private foundations are not supervised
Netherlands	Any legal purpose	No	No	Yes, but purpose related	Prosecutor's Office/ District Court
Poland	Public benefit only	No, but if foundation is planning economic activities approximately 265 euros is required	No	Yes	Registration Court
Portugal	Public 'benefit' only	No, but in practice 250,000 euros	Yes	Yes, if it supports purpose	Government
Romania	Public benefit only	Yes, at least 100 times the minimum gross salary in the national economy on the date of creation	No	Yes, but purpose related and ancillary	Ministry of Justice
Slovakia	Public benefit only	Yes, approximately 6,000 euros	No	No, but some exceptions exist	Ministry of the Interior

Slovenia	Public benefit only	No	Yes	Yes, but income from them must be limited to less than 30% of all income	The ministry which covers the purpose of the foundation or Ministry of Public Administration
Spain	Public 'benefit' only	30,000 euros	Yes	Yes, if purpose-related and ancillary	Foundation 'protectorados' in competent Ministries
Sweden	Any legal purpose	No	No	Yes	County government
UK	Public 'benefit' only	No, but minimum annual income of 7,400 euros is required	Yes	Yes, if purpose-related.or unrelated ancillary activities.	Charity Commission

Annex Table 2. Tax treatment of public benefit foundations across the EU

Summary of information provided by EFC (data as at August 2007) Source: EFC legal and fiscal country profiles http://www.efc.be/projects/eu/legal/country_profiles.asp and comparative charts of the legal and fiscal environments of foundations across the EU <http://www.efc.be/ftp/public/Legal/FoundationLawsEU.pdf>

Country	Tax treatment of individual donors	Tax treatment of corporate donors	Exemption from corporate income tax			Exemption from Gift and inheritance tax
			Economic activities	Asset administration	Majority shareholding	
Austria	Deduction up to 10% of taxable income for donations to specific institutions	Deduction up to 10% of business profits.	No. Income from both related and unrelated economic activities is taxed	Yes	Yes. If the foundation invests its assets in resident company shares or participation, the dividends are not taxed.	No, some pay 2.5% and some private foundations pay 5%
Belgium	Deduction up to 10% of taxable income (max. 319,850 euros – year 2005)	Deduction up to a maximum of 5% of gross revenue (max. 500,000 euros).	Yes; income from related economic activities usually tax exempt but unrelated economic activities are taxed	No	Dividends are taxed with the tax on legal entities	No, but reduced rates. Inheritance tax: reduced to 6.6%, 7% or 8.8% depending on region. Gift tax: Reduced to 6% or 7% depending on region.
Bulgaria	Deduction varies between 5% and 50% of the income depending on the type of beneficiary. The total amount of the deduction cannot exceed 65% of	Donations up to 10%, 15% or 50% (dependent on the recipient) from the positive financial result. The total amount of the	No. Income from both related and unrelated economic activities is taxed	Yes, interest earned on bank deposits is exempted, but dividends are taxed at 7% and capital gains at	No	Yes

	the total income	deduction cannot exceed 65% of the total income.		10%		
Cyprus	There is no limit and the whole amount of the donation can be deducted	Whole amount of the donation can be deducted - subject to certain conditions	Yes, if related to the purpose	Yes, depending on certain conditions	Yes	Gift and inheritance tax has been abolished
Czech Republic	Deductible up to 10% of taxable income, if at least 2% of income is donated, but not less than 1,000 CZK (approximately 35 euros)	deductible up to 5% of taxable income, in some cases up to 10%, provided at least 2,000 CZK (approximately 70 euros) is donated.	Yes, but only up to to 300,000 CZK (approximately 10,000 euros) and economic activities are only allowed in a few cases	Yes	N/A.	Yes
Denmark	Deduction for donations of over 70 euros up to 800 euros per year.	Deduction for donations of over 70 euros up to 800 euros per year.	No.	No, but dividends from companies in which foundations hold at least 15% of shares are exempted	Yes, dividends from Danish companies in which the foundation holds at least 15% of the shares are exempt. If the foundation holds a substantial majority of shares, the income of the company is for tax purposes treated as income of the foundation.	Yes, if included on a Ministry of Taxation list of public benefit foundations
Estonia	Total of donations deducted from taxable income cannot exceed 5% of the donor's total income	Total of donations deducted from taxable income may not exceed either 3% of the sum of the payments made during the year and	Yes, unless the income is being distributed outside the foundation	Yes, unless it is being distributed outside the purpose of the foundation	Yes	Gift and inheritance tax has been abolished

		subject to social insurance tax, nor 10% of the calculated profit of the latest fiscal year				
Finland	No tax incentive.	Cash donations exceeding 850 euros fully deductible up to 25 000 euros.	Yes, but unrelated commercial activity is taxed.	Yes, but there are some exceptions (i.e. private equity funds)	Yes, major shareholding is not considered to be economic activity and is tax-exempt	Yes, exempt from gift and inheritance tax and national property tax, but subject to municipal real estate tax.
France	Tax credit: deduction of 66% of contribution up to 20% of taxable income.	Tax reduction of 60% of the contribution up to 0.5% of the donors turn-over.	Yes, but unrelated commercial activity is taxed.	Yes	Yes, but 'influential' shareholding is taxed	Yes
Germany	Deduction up to 20 %.	Deduction up to 20% of yearly taxable income (or 0.4 % of sum of turnover wages and salaries).	Yes: income from related economic activities is usually tax exempt but unrelated economic activities are taxed over 35 000 euros	Yes	Yes, but 'influential' shareholding is taxed	Yes, exempt from gift and inheritance tax as well as real estate transfer tax.
Greece	Full deduction. 10% limit of income in the area of culture.	Deduction up to 10% of the taxable income for donations to specific institutions.	Yes, but income from securities is taxed	Yes, but income from securities is taxed	Yes	Yes
Hungary	Tax amount can be reduced by 30% of the the donation, maximum 100,000 HUF (approximately 400 euros) or 50,000 HUF (approximately 200 euros) depending on the	The tax base of the company can be reduced by 100% or 150% of the donation (depending on the type of organisation) up to 20% of the tax base	Yes, but only up to 10 million HUF (approximately 41,000 euros). For priority public benefit foundations, the threshold is 20 million HUF	Yes	Yes	Yes

	type of public benefit organisation. If both types are supported, maximum amount is 150,000 HUF (approximately 600 euros)		(approximately 82,000 euros).			
Ireland	Fully deductible for donations over 250 euros. May not exceed 50% of gross income	Fully deductible for donations over 250 euros. No ceiling exists.	Yes, as long as the income is used to support purposes of the foundation.	Yes	Yes, as long as it is in support of charitable purposes	Yes
Italy	19 % of donation is deductible from income tax, up to 2% of income	Cash donations deductible from income tax up to 2% of the taxable income.	No, except some tax exemptions received by Onlus foundations.	No	No	Gift and inheritance tax was abrogated in 2001
Latvia	Tax deduction of 25% of donated sums, but not exceeding 20% of taxable income	A tax credit of 85% of donated sums, up to 20% of total payable tax	Yes	Yes	Yes	Yes
Lithuania	No tax incentive	Deductions up to 40% of business profits, cash donations limit of incentive is approx. 9500 euros	Yes, but only up to an annual profit of 300,000 euros	No, but only if overall annual profit exceeds approximately 300,000 euros	N/A.	No, the donor is subject to gift and inheritance tax.
Luxembourg	Deduction for donations of over 120 euros up to 10% of taxable income (limit 500 000 euros).	Donations of over 120 euros are fully deductible up to 10% of taxable income (upper limit 500 000 euros).	No.	Yes, if it does not derive from commercial activities and is used for the foundation's purpose	No, if qualifying as commercial/industrial activity	No, but taxed at a reduced rate of 6%.

Malta	No deduction	Deductible up to 2,400 euros.	No	No	No	Gift and inheritance tax as such has been abolished. However, there is a 5% duty on transfer of documents related to immovables and shares.
Netherlands	Deduction of donations of over 1% of income or 60 euros up to 10% of gross.	Deduction of donations of over 227 euros up to 10% of annual income.	No, income from both related and unrelated economic activities are taxed.	Yes	Yes, but 'influential' shareholding is taxed	Yes
Poland	Deduction up to 6% of the tax base	Deduction up to 10% of the tax base	No	Yes, if it is used for the foundation's purposes	Yes	Yes
Portugal	Deduction of 25% of donation up to 15% of income.	Donations are considered as business expenses, value ranges from 120% - 150%.	Yes, but unrelated activities are taxed.	Yes, but income from bearer securities is taxed	Yes	Yes
Romania	Deductions up to 2% of total income	Donation can be deducted up to 0.3% of the turnover, but no more than 20% of the profit tax	Yes, up to 15,000 euros	Yes, up to 15,000 euros	No	Yes
Slovakia	No deduction.	No tax incentives in place for individual or corporate giving	Yes, but only limited activities in line with the purpose are allowed and exempt	Yes, except sale of investments	No	Gift and inheritance tax has been abolished

Slovenia	The total amount of cash and in-kind donations to foundations can be deducted, which accounts for 0.03% of liable person's taxed income in a tax year	Up to 20% of donations in the area of research. Up to 0.3% of taxable entity's taxed income in a tax year, but may not exceed the tax base in a given tax period.	No	Yes	N/A.	Yes
Spain	Tax credit up to 25% of donation (maximum of 10% of income)	Tax credit up to 35% of donation up to 10% of income or 0.1 % of turnover:	Yes, if they are purpose-related or ancillary	Yes	Yes	Yes
Sweden	No tax incentives	No deduction. Donations are business expenses.	No.	No, but pension foundations and others which meet specific criteria are exempt	No	Tax exempt foundations do not pay net worth tax. Gift and inheritance tax has been abolished
UK	Deduction of donations to registered charities. No ceiling exists.	Deduction of donations of any amount to registered charities. No ceiling exists.	Yes, if income from related economic activities or ancillary unrelated economic activities	Yes	Yes	Yes

Annex Table 3: List of Interviewees

Category/Institution	Interviewee Name	Country
<i>Universities</i>		
1. Imperial College	Andrew Murphy	UK
2. Jacobs University Bremen	Joachim Treusch Peter Wiegand Ulf Hansen	DE
3. Free University Amsterdam	Suzette Wyers	NL
4. Imperial College, London	Fiona Kirk John Anderson	UK
5. Trinity College, Dublin	Simon Williams	IE
6. Essec	Sylvia Desazars	FR
7. University of Liverpool	Ian Carter	UK
8. University of Edinburgh	Young Dawkins	UK
9. Technical University of Munich	Arnulf Melzer	DE
10. University of Twente	Alfred Stobbelaar	NL
11. General Foundation of UAM	Bernardo Díaz Salinas	ES
12. Nyenrode University	Erik Wuite	NL
13. IESE Barcelona	Jordi Canals	ES
<i>foundations</i>		
14. King Baudouin Foundation	Luc Tayart de Borms, Ludwig Forrest	BE
15. ZEIT-Stiftung	Markus Baumanns	DE
16. Bundesverband Deutscher Stiftungen	Hans Fleisch	DE
17. Wolfson Foundation	Paul Ramsbottom	UK
18. Fritz-Thyssen-Stiftung	Jürgen Chr. Regge	DE
19. FNP	Tomasz Perkowski	PL
20. ACRI	Stefano Marchettini	IT
21. Fondazione Politecnico	Graziano Dragoni	IT
<i>Professionals</i>		
22. Former chairman Foundation Louvain	Etienne Davignon	BE
23. Brakeley Consultants	John Kelly	UK
24. EFA and Brakeley Germany	Marita Haibach	DE
25. EFER	Bert Twaalfhoven	NL
26. Moore Associates	Iain Moore	UK
27. ‘Giving for Knowledge’ Innovation Platform	Theo Schuyt	NL
28. Association of French Fundraisers	Marie Maradeix	FR
29. CASE London	Joanna Motion	UK
30. Former director VSB Fonds; former board member Vereniging Fondsen in Nederland	Arthur Offers	NL

<i>Corporate Philanthropy</i>		
31. Volkswagen Stiftung (and EFC Chairman)	Wilhelm Krul	DE
32. Nokia	Erkki Ormala	FI
<i>Other related bodies</i>		
33. Royal Society	Michael Murphy	UK
34. Science Business	Richard Hudson	BE

Annex Table 4: Discussion themes for each interview group

1. Philanthropic bodies, trusts, charities, wealthy individuals

- Institutional context (governance, mission)
- strategy, structures, processes, criteria and achievements
- Impacts and benefits; Negatives
- Important internal factors (transparency, accountability, etc.)
- Important external factors (legal, fiscal, institutional, historical, cultural factors, incl. framework and general economic conditions)
- Good practice cases – lessons learnt

2. Universities (leaders, research teams, specialised structures, alumni associations)

- Universities' institutional context (governance, autonomy, ownership, mission)
- Philanthropic fundraising
 - Attitude, strategy, structures, processes, communication, criteria, costs and achievements
 - Impacts and benefits
 - Negatives
 - Important internal factors (effectiveness, transparency, commitment levels, etc.)
 - Important external factors (e.g. legal, fiscal, institutional, historical, cultural factors, incl. framework and general economic conditions)
 - Good practice cases – lessons learnt

3. Professional fundraising consultants and others

- Attitudes, strategies, structures, processes, criteria for both 'asking' and 'giving'
- Impacts and benefits; Negatives
- Important success and failure factors
- Important external factors (national legal, institutional, historical, cultural factors, incl. framework and general economic conditions)
- Good practice cases – lessons learnt

4. Corporate philanthropic funding

- National context (legal, fiscal, regulatory framework)
- Strategy, structures, processes, criteria and achievements
- Impacts and benefits
- Negatives
- Important internal factors (philosophy, CSR, etc.)
- Important external factors (legal, fiscal, institutional, historical, cultural factors, incl. framework and general economic conditions)
- Good practice cases – lessons learnt

Annex Table 5: Questionnaire

Philanthropic Contributions to Support Research in European Universities

A Questionnaire Distributed by the EU Expert Group on Fund Raising by Universities from Philanthropic Sources

Introduction

In early 2007, the European Commission's Directorate General for Research set up an Expert Group to explore ways in which universities could raise more funds for research from philanthropic sources. These include foundations, trusts, charities, non-profit associations, corporate and private donors and alumni.

Philanthropic funds include all funds, capital assets and gifts in kind received from philanthropic individuals and organisations (excluding governments). This includes gifts and awards from these sources but not payments for services. Money received from industry for contract research, therefore, does not qualify as philanthropic funding. Money received in the form of research awards from philanthropic organisations such as trusts and charities, however, does count as philanthropic funding.

Chaired by Professor William Wakeham, Vice-Chancellor of the University of Southampton, the Expert Group is made up of rectors, foundation directors and other high-level representatives of European universities and research bodies. The task of the experts is to analyse the prevailing situation in Europe and abroad and to highlight good practices in terms of:

- University fund-raising structures and practices, particularly those specifically aimed at raising funds for research;
- The formation and management of good relationships with donors;
- Public policies supporting efforts to raise funds for research from philanthropic sources.

Based on concrete strategies and examples of successful fund-raising, the group will clarify the various roles and responsibilities of the different actors involved in these activities and propose guidelines for the interaction of universities with private donors.

As part of this exercise, the expert group would like to gather information on the activities of European universities in order to deepen its understanding of the interactions between universities and philanthropic sources, especially those specifically designed to raise funds for university based research.

The Chairman of the Expert Group, therefore, would like to invite all vice-chancellors and rectors of European universities to share their knowledge with the expert group by completing this short questionnaire. All individual responses will be treated as confidential, but the aggregate results of the survey will be made available to all respondents.

The questionnaire is divided into three sections. The first asks for general information about your institution. This is needed in order to understand and interpret subsequent data on philanthropic funding.

The second section is the heart of the questionnaire. This asks for data concerning philanthropic funding in general and, specifically, for data concerning the role of philanthropic funds to support research.

The final section is intended only for those institutions which have not sought to use philanthropic funding to support research.

SECTION A - General Information on Your Institution

A1 Please provide the following information.

Name of Institution	
Location (City and Country)	
Name of Respondent	
Position of Respondent	
Email	

A2 Please provide an approximate breakdown of average annual sources of income for your institution.

	Total	Currency	Year
Total income for last financial year for which figures are available			

	Percentage
Government core funding (for salaries, infrastructure, operational costs, discretionary research etc.)	
Student fees (undergraduate)	
Other student fees (postgraduate, vocational students etc.)	
Contract funding from the private sector (for research, consultancy, other services etc.)	
Other money from the private sector (e.g. a mandatory percentage of turnover)	
Competitive governmental research funding from local/regional/national programmes	
Competitive research funding from international programmes	
Competitive research funding from philanthropic sources such as trusts and foundations	
Other funding from philanthropic sources (for infrastructure, non-competitive research, other activities etc.)	
Matching funds from government for funds raised from other sources (e.g. from the private sector or philanthropic sources)	
Investment income	
Other (please specify)	

A3 Please provide an approximate breakdown of the average annual expenditure of your institution.

	Total	Currency	Year
Total expenditure for last financial year for which figures are available			

	Percentage
Academic staff salaries	
Non-academic staff salaries	
Sponsored research	
Other operational costs (maintenance, capital expenditure, depreciation etc.)	
Other (please specify)	

A4 How large is your institution in terms of student numbers (undergraduate, postgraduate, vocational etc.)? Please tick the appropriate range.

Less than 5000	<input type="checkbox"/>
5000 -10000	<input type="checkbox"/>
10000-20000	<input type="checkbox"/>
Greater than 20000	<input type="checkbox"/>

A5 How would you describe your institution? Please tick the appropriate box(es).

University with teaching and substantial research functions	<input type="checkbox"/>
Primarily a teaching university	<input type="checkbox"/>
Technical university or institution	<input type="checkbox"/>
Polytechnic	<input type="checkbox"/>
Specialist college	<input type="checkbox"/>
Vocational and educational training (VET) institution	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

A6 What is the official status of your institution? Please tick the appropriate box(es).

Public entity	<input type="checkbox"/>
Private non-profit entity	<input type="checkbox"/>
Private profit-seeking entity (e.g.with profits distributed to shareholders)	<input type="checkbox"/>
Mixed public-private entity	<input type="checkbox"/>
Entity with strong connections with other authorities (e.g. religious)	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

A7 How autonomous is your institution in terms of deciding its own overall (academic) strategy? Please tick the appropriate box.

Completely autonomous	<input type="checkbox"/>
Decisions made in consultation with other partners (e.g. the state or other authorities)	<input type="checkbox"/>
Decisions primarily determined by other partners (e.g. the state or other authorities)	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

A8 How autonomous is your institution in terms of managing its affairs (e.g. financial and managerial matters, employment of staff, ownership of assets)? Please tick the appropriate box.

Completely autonomous	<input type="checkbox"/>
Decisions made in consultation with other partners (e.g. the state or other authorities)	<input type="checkbox"/>
Decisions primarily determined by other partners (e.g. the state or other authorities)	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

SECTION B - Funding from Philanthropic Sources

Contributions from Philanthropic Sources for All Types of Activity (including Research)

B1 Please indicate:

- (a) whether your institution has received funds, capital assets or gifts in kind from any of the following sources within the last three years;
 (b) whether your institution has actively sought to obtain funds, capital assets or gifts in kind from these sources within the last three years;
 (c) the degree to which attempts to obtain funds, capital assets or gifts in kind from these sources in the last three years have been successful.

Please tick the relevant boxes.

	(a)			(b)	(c)			
	Received funds (Y/N/DK)	Received capital assets (Y/N/DK)	Received gifts in kind (Y/N/DK)	Actively sought funds/capital assets/gifts in kind (Y/N/DK)	Degree of success			
					Not very successful	Moderately successful	Very successful	Don't know
Own alumni								
Wealthy individuals during their lifetime								
Bequests, legacies and 'planned gifts'								
Trusts and foundations								
Corporate philanthropic sources								
Other (please specify)								

B2 What form do contributions from philanthropic sources take and how often are they received? Please tick the relevant boxes.

	Never/ Infrequently	Occasionally	Always/ Frequently	Don't know
One-off cash donations				
Regular cash donations				
Capital assets (e.g. land or property)				
Competitive awards (e.g. from philanthropic bodies such as trusts and foundations)				
Property or funds pledged as security for a debt without surrendering ownership (hypothecated donations)				
Other (please specify)				

B3 How is the task of raising funds from philanthropic sources handled? Please tick the relevant boxes.

	Zero or small proportion of the total	Moderate proportion of the total	All or Large proportion of the total	Don't know
By a general university development office				
By an alumni office				
By an industrial liaison office				
By a special philanthropic fund-raising unit within your own institution				
By a dedicated foundation within your own institution				
By collaborating with a foundation outside your own institution				
By external, professional fund-raising organisations				
By individual research staff members				
With the help of volunteers (e.g. students)				
Other (please specify)				

B4 How are the costs of efforts to raise funding from philanthropic funding covered? Please tick the relevant boxes.

	Zero or small proportion of the total	Moderate proportion of the total	All or Large proportion of the total	Don't know
From general administrative resources				
From loans secured against university assets				
From loans secured against hypothecated donations				
From past philanthropic donations				
Other (please specify)				

B5 Please use the space below to summarise how contributions from philanthropic sources are utilised (e.g. research, new buildings, contributions to running costs etc.).

Contributions from Philanthropic Sources Used to Support University-based Research

B6 Please indicate:

- (a) whether the funds, capital assets or gifts in kind received from any of the following sources have been used to support research within the last three years;
- (b) whether your institution has actively sought to obtain funds for research from these sources within the last three years;
- (c) the degree to which attempts to raise funds for research from these sources within the last three years have been successful.

Please tick the relevant boxes.

(a)			(b)	(c)			
Funds used to support research (Y/N/DK)	Capital assets used to support research (Y/N/DK)	Gifts in kind used to support research (Y/N/DK)	Actively sought funds/capital assets/gifts in kind to support research (Y/N/DK)	Degree of success			
				Not very successful	Moderately successful	Very successful	Don't know
Own alumni							
Wealthy individuals during their lifetime							
Bequests, legacies and 'planned gifts'							
Trusts and foundations							
Corporate philanthropic sources							
Other (please specify)							

If your institution has neither allocated philanthropic funds to research nor actively sought to raise funds for research from philanthropic sources, please go immediately to Section C.

B7 How are contributions from philanthropic sources allocated to research? Please tick the relevant boxes.

	Never/ Infrequently	Occasionally	Always/ Frequently	Don't know
Contributions from philanthropic resources are allocated to research by your own institution				
Contributions to research are designated by philanthropic sources				
Contributions to research are designated by other bodies (please specify)				

B8 How are contributions from philanthropic sources typically used to support research? Please tick the relevant boxes.

	Never/ Infrequently	Occasionally	Always/ Frequently	Don't know
Increase in the general pool of money available to all relevant staff to perform research				
Increase in the funds available to specific departments/fields to perform research				
Increase in the funds available to specific individuals to perform research				
Funds for new, designated research projects				
The appointment of new research chairs and fellowships				
Prizes rewarding research achievements and excellence				
Support to PhD programmes and scholarships				
New research equipment				
Other research infrastructure (e.g. new or refurbished research buildings)				
Research management and administration				
Other (please specify)				

B9 If your institution has actively sought funding from philanthropic sources specifically to support research, please answer the following questions by ticking the relevant boxes.

	Never/ Infrequently	Occasionally	Always/ Frequently	Don't know
Does your institution have dedicated campaigns to raise funds for research from philanthropic sources?				
Does your institution seek funding for specific research projects from multiple donors?				
Does your institution seek funding from specific donors for multiple research projects?				
Does your institution have differentiated strategies for different types of donor?				
Does your institution have historical links with specific donors?				
Does your institution exploit existing links with potential donors (e.g. public-private research partnerships)?				
Does your institution reward staff for attracting philanthropic donations or research awards from philanthropic bodies?				
Does your institution have systems in place to report on and measure fund-raising activities?				

B10 Please use the space below to expand on the strategies and tactics your institution has adopted to raise funds for research from philanthropic sources. In particular, what are the key features of your strategy and what lessons have you learnt for future practice?

B11 How important are the following positive impacts or benefits associated with the receipt of philanthropic funding for research? Please tick the relevant boxes.

	Minor importance	Moderate importance	Major importance	Don't know
Greater autonomy in the choice of research topics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The opportunity to do more or better quality research in general	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The opportunity to do more or better quality work in specific scientific areas or in specific ways	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The opportunity to do more or better quality research in areas of interest to philanthropic bodies or sources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improved research equipment and infrastructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enhanced management and administration of research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enhanced opportunities to attract new researchers or allow staff to develop research careers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greater ability to attract first class academic staff and students	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enhanced image or standing of your university	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B12 How important are the following negative impacts or costs associated with the receipt of philanthropic funding for research? Please tick the relevant boxes.

	Minor importance	Moderate importance	Major importance	Don't know
Less autonomy in the choice of research topics				
Focus on research not in line with your institution's main research interests or priorities				
Focus on short-term research at the expense of long-term research				
Less incentive to participate in international competitive research programmes				
Problems arising from the discontinuities associated with philanthropic research funding				
IPR limitations imposed by sources of philanthropic funds				
Restrictions on the allocation of philanthropic funds (e.g. to cover infrastructure costs)				
Gradual substitution of public funding				
Other (please specify)				

B13 What factors have affected the success or failure of efforts to secure funds for research from philanthropic sources? Please tick the relevant boxes.

	Negative factor	Neutral factor	Positive factor	Don't know
The relative autonomy of your institution				
Levels of transparency and accountability in your institution				
Commitment levels of senior academic leaders				
Commitment levels of other research staff				
Commitment levels of administrative staff				
Existing structures for raising philanthropic funding in general				
Specific strategies for raising philanthropic funding for research				
Existing relationships with philanthropic sources				
Existing fiscal, legal and regulatory frameworks				
General macroeconomic conditions				
General cultural attitudes to philanthropy				
Government schemes to promote philanthropy (e.g. the provision of matching funds)				
Other (please specify)				

Thank you for taking the time to complete this questionnaire.

If you would like an electronic copy of the results of this questionnaire, as well as a copy of the final report of the Expert Group appointed by the European Commission, please tick the box.

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Section C - To be completed only by institutions that have neither allocated philanthropic funds to research nor actively sought to raise funds for research from philanthropic sources

Reasons for Not Allocating or Seeking to Attain Funds for Research from Philanthropic Sources

- C1 If your institution has not allocated philanthropic funds to research, please indicate if any of the following were important factors influencing this decision by ticking the relevant boxes.**

	Minor importance	Moderate importance	Major importance	Don't know
No or minimal philanthropic contributions received by your institution				
More important alternative uses for philanthropic contributions				
Enough funding for research from alternative sources				
Legal or regulatory barriers to the allocation of contributions to research				
Other (please specify)				

- C2 If your institution has not actively sought to raise philanthropic funds for research, please indicate if any of the following were important factors influencing this decision by ticking the relevant boxes.**

	Minor importance	Moderate importance	Major importance	Don't know
Too preoccupied with raising funds for other activities than research				
Too preoccupied with raising funds for research from other quarters				
Mismatch between the priorities of your institution and sources of philanthropic funds for research				
IPR limitations imposed by philanthropic sources				
Lack of interest and commitment by senior administrative and research staff				
Lack of adequate internal strategies and structures to capture philanthropic funding				
Unfamiliarity with sources of philanthropic funding				
Unfavourable tax, legal and regulatory frameworks				
Unfavourable macroeconomic conditions				
Unfavourable cultural attitudes to philanthropy				
Other (please specify)				

- C3** If your institution has not actively sought to raise funds for research from philanthropic sources but intends to do so in the near future, please use the box below to describe how this might be done.

Thank you for taking the time to complete this questionnaire.

If you would like an electronic copy of the results of this questionnaire, as well as a copy of the final report of the Expert Group appointed by the European Commission, please tick the box.

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