Foundations in Europe and in Belgium:
An Overview

Report to the CERA Foundation
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Introduction

Upon the Cera Foundation’s request, this report has been prepared by the European Foundation Centre1 (EFC) to provide a general introduction to the different types of independent funders active across Europe, to their work and objectives, and to the way they operate. An overview on the development and activities of independent funders in Belgium is also included. This information has been requested in order to position the Cera Foundation in the landscape of foundations in Europe, and is intended to be used by Cera Foundation for internal management and public relation purposes.

This document has been prepared on the basis of the information available at the EFC library and databases on funding in Europe. As such, it results from a compilation of the most reliable sources of information and from the experience and knowledge gained from EFC staff in their daily transactions with EFC members. The bibliographic reference of the major sources is given in Annex 1.

Among the first questions many people ask about independent funders is simply who are they and what do they do? What are the different types of foundations and funders in Europe? It is recognised that most people do not understand the breadth or diversity of the foundation and corporate funder community in Europe. Some of them even have serious misconceptions about what foundations and corporate funders are and how they operate. This document offers answers to these questions and tries to clarify the varied landscape of foundations and corporate funders in Europe. It comprises five main parts:

1. **Foundations in Europe Today** – Provides a snapshot of independent funders in Europe today and shows their role in modern philanthropy.
2. **Types of Foundations in Europe** – Focuses on a part of the independent funding community, namely foundations, where they came from and the different types of foundations in Europe.
3. **The Role of Corporate Citizenship** – Examines corporate funders, another component of the independent funding community, the long tradition of corporate citizenship and its current trends across Europe.
4. **Foundations in Belgium** – Shows a brief history of the development of philanthropy in Belgium, with a view to provide a general overview of the situation of foundations in Belgium.
5. **Legal Environment** – Provides an overview of the legal status of independent funders in Belgium.

Annexes have been selected to document some of the assertions in the text. They mainly refer to bibliography, funder typology, statistical data, and major areas of interest for funding.

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1 Set up in 1989, the European Foundation Centre underpins the work of independent funders active in and with Europe.
1. Foundations in Europe Today

The foundation landscape in Europe is richly varied, in part due to the many languages and cultures in Europe and the different legal/fiscal environments from one nation to the next. Foundations are an important part of the independent funding community. They represent a valuable source of income for citizens associations. But what is a foundation? How have these organisations developed to reach a stage where they find themselves important forces for social change and valuable alternatives to traditional government support? Indeed, is it possible to find common ground between a British trust, a French fondation, a German stiftung and a Polish fundacja, and allow for comparison between these institutions?

Along with the various terms for ‘foundation’ that exist across Europe, there are a number of different foundation types. Endowed foundations exist, as do community, operating and corporate foundations. Certain foundations in Europe benefit from the proceeds of lotteries or gambling. Others may be considered to be collector/distributor foundations, collecting funds from various sources, including the general public, to underpin their operational or grantmaking programmes. Indeed, certain foundations in Europe are hybrids, combining several elements noted above: for example the King Baudouin Foundation (Belgium) is an operating foundation, with an endowment, benefiting from lottery proceeds and raising funds from the general public on a continuing basis, and with a grants programme.

1.1 What Exactly is a Foundation?
It is important to establish and promote a viable and generally acceptable description of what a foundation is as a basis for further development of this report. The European Foundation Centre has established – through the guidance and input of its membership – the following general concept of what a foundation actually is.

“Foundations:
• Are separately-constituted non-profit bodies
• Have their own dependable source of income, usually but not exclusively from an endowment or capital
• Have their own governing board
• Use their financial resources for educational, cultural, religious, research, social or other public benefit purposes
• Use their financial resources either by making grants to citizens associations or by operating their own programmes and projects”

Although there are numerous national differences coming from both cultural and legal developments and the different uses of terminology for this area, the above concepts cover the majority of the foundations in Europe today, and distinguish them from citizens associations running their own programmes and other sources of non-independent funding.
The Typology of Foundations in Europe, published by the EFC in 1997, provides a comprehensive overview of the different types of foundations that exist in Europe, and proposes to classify foundations and corporate funders into four main groups: independent foundations, corporate foundations, governmentally-supported foundations, and fundraising foundations. This publication is the result of a collaborative effort of the EFC, its members and the Orpheus Networking Centres across 37 countries, which are the resource centres of Orpheus, the EFC information and communication programme.

1.2 History of Philanthropy

Each national independent funder community has developed parallel to national social developments and thus bears the imprint of national cultures and philosophies. In some Western countries, the roots of foundations rest in the historical philanthropy of the Church and industrial philanthropists such as Cadbury and Guinness. In Eastern Europe, the effects of the communist philosophy and rule following the Second World War and subsequent change in the late 1980s has meant a re-birth in, and need for the work of, independent foundations.

A quick review shows that the development of foundations in many Western Protestant and Catholic countries differs greatly from those of Central and Eastern Europe during the 20th century.

The last two decades have seen significant shifts in the attitudes and interests of independent funders. The European Union (EU) has grown from a small bloc of six countries at its formation in 1952 (known originally as the European Coal and Steel Community) to its current status comprising 15 Member States. The enlargement process will further expand the EU.

This growth, and the changing ways in which these countries interact, has consequently affected the work of foundations. No longer are national self-interests the driving force behind the economic and social development of society. Instead, people and governments are looking beyond their borders, aware that economic, social and democratic growth requires cooperation instead of conflict. Some foundations are also following this trend and are increasingly providing their support trans-nationally, both within and beyond the geographical borders of Europe.

1.2.1 Historical Perspective

The historical development of philanthropy can be broadly divided into different religious and political regions, with some crossing over taking place.

The Church

Across Europe, in countries as far apart as Portugal and Finland, the roots of charitable giving can be traced back to the Middle Ages when the Catholic Church provided a range of welfare and social services to the population. The religious tradition provided the basis for the wider development of philanthropic activity by individuals and associations. These early traditions, and the leadership of the Church, were of greater importance during the period in the history of these and other countries when the Church lost power and assets to the state. In Spain, for example, the Church was deprived of its assets during the 18th century, although these assets were used by local authorities to continue charitable activities. The Catholic Church in Italy suffered from the ideology that helped
establish the unified Italian State, which was based upon the Napoleonic model, and was anticlerical and centralist. In **Poland**, the monastic foundations of the 14th century were the precursor of modern day foundations, which returned with the ending of the communist period.

The Reformation dealt the Church a major blow in every country in which it took place, stripping the Church of its assets and passing them into private hands. By doing so, this passed the mantle of charitable works onto private individuals. The Churches have since regained assets and today remain an important part of charitable work.

**The monarchies**

In some countries, the patrimony of the monarchy has played a strong role in the development of philanthropy. In **Sweden** King Gustav Vasa established a hospital in 1533, while King Gustav Adolf made donations allowing the creation of the University of Uppsala in the 1620s. In the **United Kingdom**, Queen Elizabeth I passed the Statute of Charitable Uses in 1601. This described certain causes as charitable. In **Germany**, royal patrimony can be traced back to the 10th century when the illegitimate daughter of Emperor Charlemagne reputedly established the oldest surviving foundation in **Germany**. The Hungarian King Stephen I established the first foundation in **Hungary** in the 11th century to help with the upkeep of the Church and monasteries.

**The industrialists**

Industry has also had a prominent role in the wider development of philanthropy in Europe. In many cases, the industrialists of the 19th century provided their workers with accommodation, schooling and some welfare facilities. On the whole, this early charitable impulse was not always entirely philanthropic, but still represented an appreciation of the responsibilities by these industrialists. Later, industrialists began to provide local charitable support to their workers, and subsequently – in the latter years of the 20th century –moved out to provide support to the areas where their customers reside.

**The first charities**

Other countries have their own unique historical perspective on the development of charitable giving. In **Latvia**, small charitable associations active in the main cities can be traced back to the 1780s, while the Russian and Jewish communities had their own form of community philanthropy as far back as the 1850s.

**1.2.2 The 20th and 21st Centuries**

The 20th century saw varying fortunes for the independent funders. In Central and Eastern Europe, the communist era signalled an end to the role of organised and independent philanthropy. The state controlled almost all aspects of life, and in those countries where there existed a growing independent funding community, the state seized control of their assets, or at a very minimum limited the areas in which they could act.

Following the changes from 1989 onwards, there was, and still remains, a rapid growth in the non-profit sector in many of the former communist states and, despite the economic burdens, a growing independent funding sector. Although there are few indigenous funding foundations, numerous international donors operate in these countries and assist in the establishment of primarily operational grantseeking foundations.

The independent funding communities in Western Europe have faced fewer problems than their Eastern counterparts in modern times. However, it is only in the past two
decades that they have begun to take their place as a small but vital part of the wider funding community. This has evolved out of governments reducing spending on a variety of social and welfare areas, both allowing and requiring the independent funding community to step in and offer support.

**Western Europe**
In Western Europe, foundations generally have an endowment on the proceeds of which they make grants and/or run programmes. A number of the largest foundations received their initial endowment from among Europe’s large multi-national corporations, such as The Wellcome Trust (UK), Fondazione Cassa di Risparmio delle Province Lombarde (Italy) and the Bertelsmann Stiftung (Germany). Across Western Europe, many foundations run their own programmes, sometimes alongside a small grants programme. There are only a small number of significant trans-frontier grantmakers, although there are many foundations that make grants at a local or regional level.

**Central and Eastern Europe**
In Central and Eastern Europe there has been a strong growth in fundraising foundations. These are indigenous foundations that rely on a steady flow of funding from elsewhere – usually from abroad – with which to support their programmes. Although these foundations do not fit into the above criteria exactly for a foundation, the special situation in the former communist states allows some leeway. These foundations distribute the support they receive to either their own programmes or other citizens associations, and are a part of the developing independent funding community in these states. As such they should be recognised as a vital part of the wider community of European foundations.

Of particular note in this region are the **Soros Open Society foundations**. Across the region these autonomous foundations act as major grantmakers to the citizens associations and individual citizens in the country in which they are based. They were established by the Hungarian-born financier, George Soros.

### 1.3 Current trends
Among the numerous and different factors which influence the foundation community, it is relevant to take note of the following trends:

#### 1.3.1 International cooperation
Since the early 1990’s, there has been a real development of **International cooperation** between foundations. Many organisations and networks have been created showing the will to share expertise and good practice among funders. This cooperation is particularly strong thanks to several organisations, which are presented below in chronological order of their creation:

- **The European Foundation Centre (EFC)** is a knowledge-based membership association of foundations and corporate funders, dedicated to strengthening organised philanthropy in Europe and Internationally. Founded in 1989 by seven of Europe’s leading foundations, the EFC today serves a core membership of over 200 Members, Associates and Subscribers, with a further 48,000 organisations linked through a network of funding information and support centres in 37 countries worldwide.
• Besides a European association, many **national and regional associations** have also been created in the 1990’s (e.g. **Association of Charitable Foundations** in the United Kingdom or the **Vereniging van Fondsen** in The Netherlands) and lately, organisations such as the **Swiss Foundations Group**, established in 2001

• Most of these organisations meet now on a regular basis through the **Worldwide Initiatives for Grantmaker Support** (WINGS)² Programme which aims to increase communication among associations of grantmakers all over the world. Formally created in January 2000, WINGS evolved out of the recognition that grantmaker support organisations needed a forum in which to discuss the variety of common issues related to their support of grantmakers worldwide

• The need for creating partnership is represented by several networks of foundations such as the **Grantmakers East Group** and other interest groups (created by the EFC), and the **International Network on Strategic Philanthropy** (initiated by the Bertelsmann Stiftung)

### 1.3.2 Accountability, transparency and effectiveness

These are the three keywords which lead the current work of innovative foundations. One fundamental truth about successful and effective grantmaking is that it involves hard work and that the effective grantmaking process is time-consuming and involves many steps. However, if carefully planned, it can lead to successful and lengthy relationships with grantees. Foundations face a challenging and changing environment. They set priorities to be responsive, to reach smart decisions and to make an impact – all while having an eye on the future.

### 1.3.3 From Gift Givers to Collaborative Entrepreneurs

Many donors are still entering the philanthropic sphere without any experience. Many are still practicing chequebook philanthropy. However with foundations sharing good practices and experiences through associations and networks more and more(see above), the relationship between foundations and grant recipients is becoming mostly one of partnership. They work together to achieve mutually agreed objectives and the foundation may be involved in the management of the project. The grant recipient benefits therefore from the expertise of the foundation staff.

### 1.3.4 Professional Development

Professional development is very important to foundations. In order to maintain the effectiveness of a foundation it is vital to retain a constant awareness of the human element that is involves. The effectiveness and efficiency of a foundation are directly dependent upon the capabilities of the staff it employs. Foundation staff fulfil a role at the cutting edge of foundation activity, with responsibilities vis-à-vis the aims and objectives of the organisation itself, as well as individual programme(s). They are entrusted to monitor projects on behalf of their organisation, and on behalf of those responsible for

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² See [www.wingsweb.org](http://www.wingsweb.org)
initiatives, which the organisation has elected to resource. Foundation staff are called upon to exhibit divergent skills in an ongoing cycle from project evaluation to impact assessment. Therefore, the professional development of foundation staff is vital for any foundation or corporate funder. This rising issue has been discussed at several EFC Annual General Assemblies.

1.3.5 Community Foundations
Another recent trend has been the development of community foundations (which maybe considered as fundraising foundations - see definition in part 3). These foundations are a formal method by which the citizens of a particular community bring together funds to improve the quality of life in their community. They serve as vehicles to nurture, sustain and enhance informal community philanthropy. Through this, community foundations can be valuable tools in helping local communities address new and increasing social, economic and environmental needs by mobilising and leveraging new resources, making grants to support local projects, and building collaborative relationships with other non-profits, businesses and government agencies. These are currently very strong in the United Kingdom and are developing in other countries such as Germany and the countries of Central and Eastern Europe. The EFC supports these initiatives through the Community Philanthropy Initiative (CPI) programme.

In Southern Europe, Italy is the only country where, since 1999, a significant movement of community foundations has been established, and it is there that some of the lessons and implications of doing “modern philanthropy” in a traditional context have come to light.

The first, and for the moment only, community foundation in Belgium was established in the region of Central and South West-Flanders (“Midden en Zuid West-Vlaanderen”) in May 2001. The region of Central and South West-Flanders comprises the regions of Kortrijk, Roeselare, Tielt and Ieper. Geographically, Flanders is situated in the Northern part of Belgium and Dutch is the official language of the region. King Baudouin Foundation is studying the possibility of developing a similar kind of fund in the Southern part of Belgium, French-speaking Wallonia, based on their current experience with a company fund, “Chimay-La Wartoise Foundation”, whose features are similar to those of a regional fund, although in this case there is neither an attraction of diversified local donations, nor the long-term vision behind the Flemish fund in terms of endowment building.

Details on both Italy and Belgium cases are provided in two case studies recently prepared by L. Amorim, EFC CPI Coordinator. These documents are given in annexes 3 and 4.

1.4. Statistical Data
Due to the diversity of the statutes of foundations and the variety of legal and fiscal systems of independent funders in Europe, it is difficult to find accurate statistical data about foundations in Europe. However, it is interesting to examine the recent quantitative analysis of the sector in 15 European countries prepared by a consortium of foundations
and academic researchers, which was published by the Bertelsmann Stiftung in *Foundations in Europe Society Management and Law (2001).*

**1.4.1 Quantitative importance of foundations in Europe**

Regarding the absolute number of foundations, the study shows that this number differs greatly among the European countries, and can vary from 30 in Ireland up to 20,000 in Sweden. In Belgium, 310 foundations have been identified.

The same huge variety can be found when considering the proportion of the different types of foundations. The operating foundations represent the majority of the organisations identified as foundations in most of the countries. For instance, in Spain operating foundations represent 95% of all the foundations.

In order to study more closely the size of the foundation sector by country, some relative size indicators have been used in the Bertelsmann’s study and comprise the following: number of foundations per 100,000 population, expenditure as % of GDP, employment as % of total non-profit employment, grant disbursed as % of total non-profit sector, and assets. According to these indicators, the foundation sector is most prominent in Liechtenstein, Switzerland and Sweden.

Details for 15 countries are given in annex 5 (Bertelsmann, pp 52 and 56).

**1.4.2 Major areas of interest**

Most of the activities promoted by foundations in most of the countries are in the education and research fields, followed by the social service field. But some exceptions exist in France where priority is given to health, in Ireland with priority to housing and development, and in Spain with priority given to arts and culture.

Details for 15 countries are given in annex 6 (Bertelsmann, p58).
2. Types of Foundations in Europe

As stated previously, along with the many different names for foundations, there are many different foundation types in Europe. Endowed foundations exist, as do operating and corporate foundations. Certain foundations in Europe benefit from the proceeds of lotteries or gambling. Others are hybrids, combining several elements noted above. For example, a foundation may be an operating foundation, have an endowment, benefit from lottery proceeds, and also raise funds from the general public on a continuing basis.

To complement the conceptual definition of a foundation, the European Foundation Centre has developed a *Typology of Foundations in Europe*, again in collaboration with its membership. This typology aims to add clarity to the diverse foundation community in Europe.

As such it has defined four groups by which the EFC classifies foundations. Each group has a number of generic sub-categories which are presented as guidelines that national level organisations working in this field can modify to suit their own particular situation and preferences.

These four groups are:

- Independent Foundations
- Corporate Foundations
- Governmentally-Supported Foundations
- Fundraising Foundations

In addition, it is possible to refine the classification of the foundations belonging to these groups into 18 of the most common foundation types in Europe according to three essential criteria:

- Source of financial resources
- Composition of Governing Board: who is in control of decision making?
- Approach to the distribution of financial resources

2.1 Independent Foundations

Independent foundations comprise the vast majority of foundations in Europe. There are however a number of sub-groups which more accurately reflect the many different types of independent foundations. The most common types of independent foundation are the *family-controlled* and *trustee-controlled* foundations. 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. In both cases, a board of trustees directs grantmaking activities. Within the definition of an independent foundation, the EFC includes the limited duration foundations and funds as recognised in Europe.

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3 See Annex 2.
Example of Independent foundation: **The Bernard van Leer Foundation** (The Netherlands):
The Bernard van Leer Foundation was established in 1949. The foundation's income is derived from the bequest of Bernard van Leer, a Dutch industrialist and philanthropist, who lived from 1883 to 1958. He was the founder of Royal Packaging Industries Van Leer, which presently is a part of Huhtamaki Van Leer, a packaging company operating in 55 countries worldwide.

2.2 **Corporate Foundations**
The EFC recognises two types of corporate foundation. A *foundation with corporate interests* is one in which the foundation’s investment portfolio includes greater than 50% of the voting shares in a company, in turn this investment constitutes more than 50% of the capital with which the foundation fulfils its mission. *Corporate foundations* are separately constituted foundations established by a company, which depend primarily on annual support from that company for their programmes.

It must be noted here that many corporations also make significant donations of goods, services and money through corporate citizenship or corporate community investment programmes. Although not a part of the foundation typology, these activities are a vital part of the independent funding resources available for citizens associations. As such, corporate community investment is looked at in the last part of this report (The role of corporate citizenship).

Example of Corporate foundation: **Fundació 'La Caixa'** (Spain):
Fundació 'La Caixa' came into being as a result of the merger of the Fundació Caixa de Pensions and Fundació Caixa de Barcelona. It is a non-profit organisation dedicated to serving society. The foundation is funded by the Caixa d'Estalvis i Pensions de Barcelona which, as a savings bank under Spanish law, may apply approximately 50% of its profits to socio-cultural activities.

2.3 **Governmentally-supported Foundations**
Two types of governmentally-supported foundations are currently a part of the EFC Typology. *Governmental foundations* include national, intergovernmental and supranational governed foundations. The common factors for these are that the government body that established the foundation controls the key positions of the trustees, although it may include trustees from outside the government itself. Funding generally comes directly from the government although other sources of income may be sought. *Political foundations*, the second type, are not common in Europe. These foundations primarily exist in Germany. Usually affiliated with a political party, their programmes reflect the interests and philosophies of the party.
Example of governmentally-supported foundation: The Westminster Foundation for Democracy (United Kingdom):
The Westminster Foundation for Democracy was established by Royal Prerogative. The three main political parties in Britain are each represented on the Board of Governors, and appointed by the Secretary of State for Foreign and Commonwealth Affairs after consulting the parties. There is also a representative of the smaller political parties, as well as non-party figures drawn from business, trade unions, the academic world, and the non-governmental sector.

2.4 Fundraising foundations
Although many foundations seek matching support for particular programmes or their grantmaking activities, this term refers primarily to foundations which are in a process of transition where they are attempting to establish their own assets and require a continual flow of financing in the interim. It is this intention which distinguishes them from citizens associations, institutes and other non-governmental organisations which may themselves raise funds to support their own programmes. These fundraising foundations are aiming to become established grantmaking institutions, and as such are primarily found in the countries of Central and Eastern Europe.

Example of fundraising foundation: Fundacja Pomocy Wzajemnej 'Barka' (Poland):
Fundacja Pomocy Wzajemnej 'Barka' was set up in response to the need to help marginalised groups such as former psychiatric patients, the homeless, former prisoners, vulnerable children and women. The first Barka community was established at Władysławowo. The following year, the group merged with the Foundation in Aid of Persons in Profound Crises and went on to create two further communities. Since then, approximately 1500 people each month have taken advantage of the foundation’s community, and educational and temporary services such as food, bank, meal service, shower facilities, medical and dental care, and after-school and pre-school programmes for children. Activities led to the establishment of the Regional Centre of Non-profit Non-governmental Organisations in Poznan, a group that encourages activities and represents the interests of the third sector.
3. The Role of Corporate Citizenship

3.1 Definition
A Corporate Citizenship programme (also called Corporate Giving Programme or Corporate social responsibility) is a grantmaking programme administered within a profit making company. Corporate Giving Programmes usually do not have a separate endowment and their annual grant totals are generally more directly related to current profits. In addition, some companies make charitable contributions through both corporate giving and a company-sponsored foundation.

Corporate funders are fast becoming a more noticeable and accessible source of support for citizens associations. This is particularly valid for those citizens associations that use lateral thinking when establishing their funding needs. Corporate funders offer more varied forms of support than those traditionally provided by foundations. Organisations who can define their needs in terms beyond just financial support can tap into a rich vein of valuable aid.

This aid naturally largely comprises direct financial support but can also include equally important sources such as:

- Sponsorship
- Training
- Gifts of equipment or supplies
- Employee volunteering
- Matching employee donations
- Secondment of staff

3.2 Historical perspective
Although corporate citizenship has grown significantly in recent years, companies have been helping the communities in which they work for far longer. In Ireland, Guinness (now part of Diageo plc) can trace its charitable record back to the 18th century when it made contributions to the community around its brewery. In Germany, the Daimler-Benz Corporation (now Daimler-Chrysler) has a history of support for education and the arts in the local communities from the time of the Daimler/Benz merger in 1926. The company also took the further step of endowing an autonomous foundation, the Gottlieb Daimler-und Karl Benz-Stiftung, in 1986; an important step made by many of the world’s largest corporations to add an independent aspect to their work in this area. Meanwhile in Italy, the history of cultural and artistic support by aristocrats of the Italian Renaissance, such as the Medicis, was a forerunner for the modern day support from companies such as Olivetti and Fiat. These and many other Italian multi-national companies now provide exceptional support to artistic endeavours throughout the world.

Today, and allowing for considerable variety in each country, corporate citizenship is growing at a strong pace and gaining a higher profile. Across Europe, intermediary organisations, which serve their corporate members, are encouraging and improving their philanthropic activities. These are led by businesses themselves, seeking to provide the atmosphere to encourage greater and more organised corporate citizenship.
3.3 Current trends
There are a number of reasons for this growing interest by businesses in taking a stronger role in the communities in which they work and from which they gain their revenue. Growing consumer awareness and pressure has meant that businesses need to be seen as both honest and environmentally aware as possible, and as respecting their communities. Greater competition and the need to hold on to a customer base means that those businesses that are seen to be philanthropic can gain a higher positive reaction from consumers. Although many businesses have for many years been acting in such ways, it has often been on an ad hoc basis, and has not been widely publicised.

Companies are now also beginning to recognise the value of their in-kind support, and to include this in measuring the value of their corporate citizenship – a valid point as the corporate world can often more easily provide support in the form of goods or property than direct financial aid.

Corporations also usually have a different approach to grantmaking than foundations. Each donation – whether it be direct financial aid or some other form of support – has a value which can be measured by the company. These donations are not something the company must do, but something it chooses to do as a part of its wider public relations. When considering approaching a corporation for support, it is important for a citizens association to look at what it is offering in return for this support. High profile projects where the name of the corporation can be placed prominently – and used in their own publicity – are often the ones supported by corporations. An opportunity to both ‘do good’ and to promote the positive image of the corporation are the sort of projects that attract a corporation.

Despite a history of supporting the arts, cultural projects and sport, corporations nowadays support a wide range of areas. The environment has become popular, reflecting the growing concerns and interests of the consumer in this area.

The business community itself is also increasingly recognising its own social responsibility. Through their own programmes and working together to improve their social actions, corporations are taking concrete steps to fulfil this responsibility.

Example of Corporate Citizenship Programme: **Johnson & Johnson** is the world's most comprehensive and broadly-based manufacturer of health care products, as well as a provider of related services for the consumer, pharmaceutical and professional markets. The Johnson & Johnson family of companies, consisting of more than 190 operating companies in 51 countries, has its worldwide headquarters in New Brunswick, New Jersey, USA, where the company was founded over a century ago. The company currently employs 97,800 people. Johnson & Johnson focuses its efforts on children's health, access to health care, and health care education. In addition, it supports local initiatives that help fulfil responsibility to the communities in which it lives and works towards ‘...contributing to a healthy future’
4. Foundations in Belgium

4.1 Context
Despite the important economic value, a recent survey\textsuperscript{4} shows the important lack of statistical information of the non-profit sector in Belgium. This situation affects also the foundation community as, so far, there is no accurate statistical information available on foundations in Belgium. Data on the relative proportions of foundations with different functions is not available. Additionally, accurate information on financial details such as income, assets or annual expenditure of foundations is not always available. The disclosure of this information depends completely on the foundation’s internal policy. Some foundations are committed to transparency and accountability, while others are not.

In addition to this lack of information, under Belgian law, the term ‘foundation’ is neither defined, recognised nor protected. Many authors have attempted to define this term and the structures it covers, but none of these attempts have found universal favour. Therefore, the notion of foundations, either grantmaking or operating, is ambiguous as it refers to two different organisational structures. Namely:

- Non-profit associations (‘association sans but lucratif’, or ASBL-VZM)
- Public utility associations (‘établissement d’utilité publique’, or EUP)

While considering the foundation community in Belgium, it is important to know that some ASBL may use the name of foundations without either being properly endowed or having their own financial resources. Therefore, on one hand, according to the EFC Typology on foundations, these so-called foundations are mostly fund-raising foundations operating their own projects. On the other hand, some organisations established as ASBL-VZM are purely grantmaking organisations, such as the Fondation SPES\textsuperscript{5} which supports financially artistic and cultural projects.

Regarding EUPs, some of them may be considered as foundations, either grantmaking or operating, or both (e.g. The King Baudouin Foundation). However, some are pure operating organisations supported by public and private funding (e.g. Child Focus). In any case, the number of EUPs established is very low (310) due to the fact that administrative obligations related to the formation and running of an EUP are particularly tedious. A deeper survey on their activities should determine how many might be considered as grantmaking foundations.

The survey mentioned above demonstrates also that most of the non-profit sector is still supported financially by public funding. Around 75\% of the financial resources of ASBL are generated by the support of local, regional or national public administrations. Only 5\% come from private donors who include both foundations and individuals.

\textsuperscript{5} See www.spes.be
4.2 Historical Perspective
The right to associate has been recognised by the Belgian constitution since 1830. In a sense, it breaks with the spirit of the French revolution, which was opposed to any structure standing between the state and the individual. But it was only in the 20th century that this right was organised and rendered concretely applicable. In 1919, legislators granted legal personality to International Associations for Scientific Purposes. In 1921, the same right was granted to Public Utility Establishments (EUP) and Non-profit Corporations. This established the general framework, which is still applicable today.

Apparently, financial generosity is not a firmly established tradition in Belgium. Contribution to the non-profit sector more often takes the form of volunteer work than of donations of funds. Some statistics estimate the value of volunteer work – converted into monetary terms – at three times that of donations.

From this, it may result that, in comparison with other European countries (such as the United Kingdom or Italy), Belgium seems to have a small foundation sector. Belgium belongs to the group of countries (with France and Austria) which has a low growth rate on foundations. “The reasons for the slow growth are legal and procedural, as the establishment of foundations in [... ] Belgium is highly regulated and complicated, providing relatively few incentives for potential donors”.

4.3 Typology of Foundations
Foundations working in Belgium are usually operational foundations rather than grantmaking. The majority of foundations pursue philanthropic or scientific purposes. In most of the cases, the founder is a natural person, e.g. Evens Stichting (Antwerpen) or Fondation Bernheim (Brussels). Some of them also operate in a manner similar to the associative sector – which itself is very well developed and still best suited to on-the-spot actions, particularly when these are to take place on the local level.

4.4 Corporate foundations
Unlike other countries, Belgian corporations set up very few foundations. Although there are exceptions such as the Fortis Foundation. On the other hand, they are more and more commonly represented in foundations offering links with other sectors of the community, such as the Prométhée Foundation. In addition, the King Baudouin Foundation, like some foundations in foreign countries, has created the possibility for companies of forming in-house company funds. Allocated in the public interest and compatible with the framework of the object of the foundation, such funds benefit from both the culture of the founding company and the expertise of the King Baudouin Foundation.

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7 See www.evensfoundation.be
8 Fondation Bernheim was created in 1974 by Emile Bernheim, who established L’Innovation department store in Brussels. He believed that the money earned during one’s professional life deserves to go back to society, as that is where it came from. Emile Bernheim died in 1985. The foundation became operational in 1998.
9 See www.fortisfoundation.org
5. Legal Environment

This chapter is an excerpt from a set of country report on the legal and fiscal operating environments for foundations. The Legal Task Force of the EFC European Union Committee (EUC) is preparing these reports. These reports will be available on the EFC website (www.efc.be) by May 2002.

5.1. Legal Framework

The term foundation is not defined, recognised or protected under Belgian law. In 1921 legal personality was granted to non-profit associations, Public Utility Establishments (EUP), and non-profit corporations. Non-profit corporations or trading companies may also be called foundations. Non-profit organisations can also take the form of an international or national not-for-profit association that might also use the term foundation (AISBL- Law of 25 October 1919 and ASBL- Law of 27 June 1921). Existing foundations often manage funds that have no legal personality.

According to the Law of 1921 an EUP is an institution established by deed or will, through which a private person assigns possessions irrevocably to the creation of an organisation carrying out activities of public utility in the area of philanthropy, religion, artistic, science or pedagogy. Natural and legal persons can set up a foundation as EUP. The purpose has to be in the area of philanthropy, religion, arts, science or pedagogy. The assets can not be used for private purposes. The capital can consist of movable property and immovable property.

An EUP is established through notary deed or by will. The government (the Ministry of Justice) must approve the deed and the articles of incorporation for the EUP. A Royal Decree must be published in the Belgian State Gazette (Moniteur Belge). The Ministry of Justice requires a minimum capital of 25,000 euro as the initial contribution (this amount is not required by law). A board of directors manages the EUP. Registration is not required.

Undertaking commercial activities risks the loss of tax privileges. The articles of incorporation of an EUP can be amended, either by law or by an agreement between the government and the majority of the board members of the foundation. Any amendment must be published in the Belgian State Gazette.

The government (the Ministry of Justice) exercises the supervision of the foundation. It can examine the way the EUP is managed and ensure that the money is used for the stated purpose. The government also has the right to control whether the board members are discharging their legal responsibilities. The public prosecutor can inform the court if this does not seem to be the case. Donations over 10,000 euros must be approved by government or by Royal Decree.
The EUP must submit its accounts and annual budgets to the Ministry of Justice every year. Annual accounts are published in the State Gazette. The EUP is only allowed to possess buildings if they are used directly by the organisation.

The EUP has limited liability. Board members do not respond personally for the foundation, they are not personally liable.

The founder can restrict duration of the EUP’s life. A civil court can dissolve the foundation after request of the public prosecutor’s office if it has been determined that it is not possible for the foundation to fulfil its purpose. The assets are then transferred to the state which has to use them for a similar purpose. The board of directors can dissolve the EUP, but the decision has to be approved by the Ministry of Justice.

According to a new government bill, the term “Public Utility Establishments” will be replaced by the term “Public Utility Foundation”. Public Utility Foundations will then also be allowed to pursue cultural and philosophical purposes. A new legal structure, the private foundation will be introduced. It will then be possible to set up a foundation that does not pursue a purpose of public utility, for example family foundations. These changes are currently in the approval process.

4.2 Taxation

-Tax treatment of the foundation
Public Utility Establishments enjoy tax privileges. According to Art. 220 of the Income Tax Code, legal entities that qualify to be taxed as legal non-commercial entities are only subject to the Legal Entity Tax and not the Corporate Income Tax. Non-profit organisations that distribute social allowances, help families or elderly people, secure professional interests or work in the field of exhibitions or education are taxed as qualifying legal entities (Arts. 181, 220 Income Tax Code). If the organisation has scientific or cultural activities, or works for disabled people or in developing countries it needs to be officially recognised by ministerial decision, or Royal or Executive Decree (Arts.104 Income Tax Code). As non-profit organisations only the income derived from real estate, capital investment and personal property are taxed with a final withholding tax. Net rental income from immovable property is taxed at a rate of 20 % unless it is used for non-profit purposes. The organisation will only be subject to Corporate Income Tax if it carries on profit making activities. Income on non-related activities is taxed at a lower rate.

Non-profit associations with Belgian property worth over approximately 25,000 euros are subject to the substitute inheritance tax at a rate of 0.17 %, the EUP is not.

A Belgian foundation should also be active to a certain extent in Belgium in order to receive tax privileges even though this is not a written rule.

-Tax treatment of the donors
In order to receive the status as an organisation that can receive tax deductible gifts, official application is needed by the government (Ministry of Finance) according to
Art.47 or by Royal Decree. The approval has to be published in the Belgian State Gazette. This recognition is valid for a period of one to three years. For some organisations that are enumerated in Art. 104 of the Tax Code, this status is statutorily granted (for example the King Baudouin Foundation and National Research Foundation). Donations and testamentary dispositions exceeding 10,000 euros need to be approved by Royal Decree.

The foundations must give a receipt to the donor. The donor can then use this receipt as document for deduction and attach it to his tax declaration. The foundation has to distribute a copy of the receipt to the Ministry of Finance.

Individual donors can deduct the amount of their donations exceeding 25 euros up to a maximum of 10% of the taxable income with an absolute maximum of 250,000 euros.

Corporate donors can deduct the amount of the donation up to 5% of their gross revenue with an absolute maximum of 500,000 euros.

A domestic donor does not receive a tax deduction if he donates to a foreign foundation. Foreign donors may receive a deduction for contributions to Belgian non-profit organisations.
Conclusions

A complex landscape in Europe and in Belgium
The EFC Typology of Foundations provides a structured basis to better comprehend the variety of independent funders in Europe and understand their similarities and differences. According to the types of foundations, the situation of the foundation community in Belgium is quite similar to the foundation situation in several European countries. Many different types coexist. However, the sector across Europe is both not as well developed as, for instance, in The Netherlands, nor as visible as, for instance, in the United Kingdom. There is still much confusion as to the origin, the role and the activities of foundations in Belgium.

The need for further research in Belgium
The lack of statistical data did not allow a detailed quantitative analysis of the nature of independent funders in Belgium nor of the trends of their support. However this survey may be used as a basis for deeper research if needed. It offers the preliminary framework for the creation of a relational database on Belgian foundations and subsequent national directory, which should be the next step to move further and better understand the foundation community in Belgium.

The importance of the role of national associations of foundations
It is important to draw the attention to the crucial role played in other European countries by the national or regional association of foundations to better know the independent funder community at national level. For instance, in the Netherlands, the Vereniging van Fondsen in Nederland publishes every two-years a detailed directory on foundations¹⁰. In cooperation with the Vrije Universiteit te Amsterdam it regularly publishes a statistical analysis¹¹ on philanthropy in general including the participation of foundations. The same initiative has also been undertaken in the United Kingdom, Czech Republic and Germany.

Thanks to the support of the Ford Foundation, the EFC has convened an annual meeting of national associations of foundations each year since 1996. It brings together directors, staff members and representatives from national associations of foundations from across Europe and abroad, with a view to facilitating the exchange of best practice and information. Each meeting offers the opportunity to exchange best practice and experience and promote discussion on common subjects of interests.

Strengthening links among associations of foundations benefits both the development and understanding of organised philanthropy in Europe as national associations of foundations provide an important framework for support to foundations and corporate funders in their home countries and regions.

The impact of globalisation and the growing importance of community foundations

¹⁰ Fondsenboek, last edition 2001/2002
Globalisation entails an increase of international communications and partnerships in the philanthropic sector worldwide. Foundations and corporate funders want to learn from each other, share experience and best practice with a view to cross-border giving. Initiatives allowing exchange of knowledge and promoting transnational cooperation are developing. International fora, such as the various EFC Committees, Task Forces, conferences and interest groups; as well as WINGS are all dedicated to convening independent funders with a view to facing the barriers to international philanthropic giving and enhancing joint action in common areas of concern. These initiatives are continuously becoming more numerous and successful.

In this international context, the emergence of community foundations, dedicated to building communities through local giving, seems to be a paradoxical phenomenon. But as they reflect the social and political framework in which they operate, they also contribute to the affirmation of a sense of identity, which guarantees that local interests are taken into consideration.
Annex 1: Selected Bibliography

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