

Opportunities for Philanthropic Foundations in South Australia – Through International partnerships and R&D

A comparison between Europe and Australia

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Summary

A research project was recently conducted at the Department of the Premier and Cabinet of the Government of South Australia by Dr Luca Valentino, intern from Bocconi University of Milan, under the supervision of Adjunct Professor Nicola Sasanelli AM. The report explores the new approach of large European philanthropic foundations and compares similar Australian foundations.

The not-for-profit sector all around the world is increasing its relevance in national socio-economic systems.

Among all the various not-for-profit organisations, philanthropic foundations are the entities that are able to become socially innovative players, due to their financial resources, skills, competencies and experiences. The definition of philanthropic foundation is *"a legal categorisation of non-profit organisations that either donate funds and support to other organizations, or provide the sole source of funding for their own activities"*.

There are two key categories of foundations: private and community foundations.

"Private foundations typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources)". In terms of activity the key purpose of these organizations is donating grants to other charitable organisations and to individuals, rather than the direct management of charitable programs.

"Community foundations is an independent philanthropic organisation working in a specific geographic area which, over time, builds up a collection of endowed funds from many donors in the community. It provides services to the community and its donors, makes grants and undertakes community leadership and partnership activities to address a wide variety of needs in its service area."

So, when comparing the purpose of private and community foundations the key difference is that community foundations are *"operating"* foundations and private foundations are *"grant-making"* foundations.

Operating foundations use their donations directly towards philanthropic projects to achieve their goals. Grant-making foundations use their sources to donate grants to other organisations, indirectly carrying out the goals of the foundation.

Key activity sectors include: children and youth, health, human rights, diversity, research and development, environment, sports and charity work.

The aim of this report was to explore how European foundations are becoming more *operational* (through international partnerships within their sectors of interest, increasing the relevance of R&D investments, and then comparing the equivalent sector in Australia).

The report explores the future challenges of the *"The Global Philanthropy Leadership Initiative"* (GPLI), a case study highlighting new European features and provides an overview of Australian philanthropic foundations.

The GPLI is a joint initiative promoted by the European Foundations Centre¹ with other international foundations (such as *"Council on Foundations"* and *"Worldwide Initiatives for Grantmaker Support Inc."* (WINGS)).

¹ The European Foundation Centre is an international association of foundations.

The GPLI's aim is to develop new ways of advancing the practice and impact of philanthropy on a global level. In addition, GPLI focuses on catalysing and convening collaborative action in three priority areas²:

1. Improving the legal and regulatory environment for philanthropy in a global context;
2. Developing models for improving and increasing collaboration in philanthropy in a global context;
3. Identifying key opportunities to engage with policy makers/multi-lateral organizations.

As we can see in the last two points the present and future approach for these entities is to pursue international partnerships and multi-lateral relationships (as we will see in the case study).

Furthermore, the areas of interest have also changed in the last few years following the changing needs of the community. During the 70s, for example, the principal focus of these organizations was in social assistance and preservation of human rights. In the last two decades, however, this focus has changed and topics such as scientific research, innovation and sustainable development have emerged as global requirements.

A report published by the European Foundations Centre in 2009 shows interesting data about the relevance of R&D in the European context (in the specific field of environmental research). The report analyses the grants made by 44 European Foundations to other not-for-profit organizations worldwide in the field of environmental research (territorial ecosystems and land use, biodiversity and species preservation, multi-issue work, climate and atmosphere, coastal and marine, agriculture and food, energy, toxics and pollution, fresh water, transport, sustainable communities, trade and finance, consumption and waste).

The principal result of this study was that in 2009, 40 foundations provided 791 grants to 599 organizations amounting to €292.5 million in this research field. From this data, the evolution of these numbers is not apparent but it appears clear that R&D is a crucial element where European foundations are cooperating.

To further investigate this trend of the internationalisation approach and R&D investments, Italian Foundations by banking origin are discussed.

There are 88 Foundations of banking origin in Italy of different sizes. All engage solely in socially-oriented and economic development undertakings. They were established from the banking reforms better known as the Amato Law³. *"They are actually institutional investors who obtain from their capital investments the funds necessary to carry out their philanthropic activities which are fulfilled through about a billion and a half donations annually"* (Source: www.acri.it). Their donations become sources in the provision of social solutions in different sectors and include art, cultural activities and heritage; social assistance; research; education, learning and training; voluntary activities, philanthropy and charity; local development; public health; environmental protection and quality; family and associated values; sport and recreation.

As mentioned in the general European overview these foundations are changing their operative strategies in order to achieve the ambitious goal highlighted.

² www.efc.be

³ Amato – Carli law 218/90.

Established as grant making foundations to benefit other not-for-profit organizations (in most cases as free-grants), these foundations are now becoming operative foundations. This new strategy means that:

- projects are managed directly by the foundations;
- support is provided for innovative projects;
- support is provided to specific projects rather than general aid (or free-grants) to the other organizations;
- support is provided for international collaboration, partnerships with other foundations, universities and research centres.

The last point highlights that these foundations, without forgetting the links with their local community, considers international partnerships as a vast opportunity to share information, innovative tools and projects to increase the efficiency of the solutions provided to solving local needs and interests.

In this context R&D activities are increasing their significance, in fact:

- In 1993, the grants allocated for social assistance, volunteers, charity and education accounted for around 40% of all the sectors activities, where in the same year, R&D activities accounted for only 7%.
- In 2010, 17 years later, R&D activities (in fields of biotechnology, health and agri-food) accounted for around 15% where the social sectors decreased to around 25%.

This data is significant considering that over the last few decades the total number of the activities within the sectors where foundations have operated has increased so the relevance of the proportion in R&D is higher.

A second case study is then analysed concerning the 'Cariplo Foundation' demonstrating a good example of these trends.

The Cariplo Foundation⁴ is the biggest Italian foundation and one of the 10 largest in the world, and is an outstanding example of a foundation seeking to "become a leader in social and economic development within the territory it serves (the north of Italy)" (Source: Cariplo Foundation website) through the investigation of international opportunities.

In 2011, The Italian "Fondazione Cariplo" and the French "Agropolis Foundation" signed an innovative agreement titled "French-Italian Rice Science and Technology Initiative" aiming to promote common action between the two foundations involving scientists and researchers from France, Italy and developing countries in a joint effort to contribute to knowledge sharing and scientific capacity building.

The two foundations decided to focus their initial collaboration on rice given its centrality in both the economy and nutrition in most of the developing world where the availability of this staple crop is often equated with food security. With each foundation contributing €1 million, the two foundations launched "FIRST (French- Italian Rice Science and Technology) Initiative" aimed at developing and supporting scientific research in the agri-food sector as well as in facilitating the emergence of excellent, innovative and potentially high-impact research on rice. This joint initiative will fund development-oriented rice research as well as the mobility and exchange of professors, scientists, researchers and students from France, Italy and rice producing developing countries⁵.

⁴ Cariplo Foundation is, also, one of the co-founders of the European Foundation Centre (EFC).

⁵ Agropolis Foundation website

This partnership in the agri-food sector is, hence, an example of international collaboration between foundations of two different countries. The foundations have the same characteristics and needs in a specific field (rice) in order to provide improved and innovative solutions. This highlights that R&D activity is a key driver.

The Australian not-for-profit sector has an important role in the socio-economic system. One report of the Australian Government's Productivity Commission shows that the not-for-profit sector generated \$41 billion in gross valued added (GVA) in 2006. This figure was equivalent to 4.3% of total GVA. Considering that the wholesale trade sector generated \$48 billion, transport and storage \$48 billion and government administration and defense \$40 billion, the communications sector \$25 billion, it's clear that this relevance in the Australian system is high.

Our Prime Minister reaffirms this statement in her policy '*Julia Gillard and Labor, Let's Move Australia forward*' "*The non-profit sector is a key partner in delivering major social policy reforms and in creating opportunities for Australians to participate in work, engage in life-long learning and live with dignity and respect. The non-profit sector also enriches communities through sport and recreation, arts and culture, and through protecting the environment and providing emergency services in times of crisis.*"

In this framework, as in Europe, the large Australian philanthropic foundations have an important role to play particularly where private and community foundations seem to have different approaches that are not in line with the European ones.

The relevance of Australian community foundations are highlighted by Bruce Bonyhady⁶, "*Australian philanthropy should therefore be a catalyst for better public policy and should partner governments. In the case of community foundations, they are ideally placed to influence local government plans and policies and beyond (...) A community foundation is more than just a mouthpiece, it can also be a developer and driver of locally based solutions.*"

Through the analyses of both this speech and Australian and South Australian reports two key issues become evident in Australian community foundations, that is:

1. They remain focussed as grant making foundations and are not following the global trend that is changing the evolution of operating foundations.
2. They have not considered international collaboration as a crucial strategy.

The largest Australian private foundations have yet to express interest in this international approach. The Macquarie Group Foundation (the biggest private foundation in Australia), in fact, operates in some overseas countries (USA, Europe, Asia) but these funds are segregated to a closed network in those countries.

However, some private foundations, even if they appear to not have this international vision, are recognizing the great relevance of R&D as a driver for innovation in order to achieve their philanthropic goals in a globalized context.

A 2008 report of *Philanthropy Australia* details the funds provided by the top 10 foundations for research in science, health and environmental activities, this amount was approximately \$28,000,000 or around 36% of the total funds. The mission of the Gardiner Foundation confirms this by saying "*innovation means a*

⁶ Bruce Bonyhady, *President of Philanthropy Australia*

single process whereby the “research and development” needed to create new science, technology, processes or services is seamlessly linked with “adoption” of that R&D, delivering demonstrable outcomes at farm, factory, consumer or community level.” (Source: Gardiner Foundation website).

In conclusion, the result of this research demonstrates that European and Australian Foundations have different approaches:

1. In Europe, more foundations are becoming operating foundations that are seeking international partnerships and are considering the R&D sector as a key driver in proposing innovative solutions to solve social needs (E.g. *Cariplo Foundation-Agropolis Foundation*).
2. In Australia, both private and community foundations continue to be grant making foundations. They don't appear to have an international approach but are following the global trend that considers R&D investments crucial for innovative processes and solutions (this particularly relates to the private foundations).

Resources towards R&D have both economic and social relevance. Collaborative opportunities to define jointly funded projects with overseas foundations are relevant for our economic and social needs, although this represents an ambitious goal. As an example, international collaboration among South Australian scientists and researchers and their colleagues from all over the world has become a dynamic and concrete reality.

This report presents a new opportunity for international collaboration between the non-profit organizations of the two continents (Europe and Australia) and aspires to strengthen R&D in South Australia.