

Philanthropie

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EDITORIAL

Dear readers,



Many European countries have umbrella foundations, some of which are very large. In France, Belgium and Luxembourg, for example, they form a bridge between private philanthropy and

state involvement. There, umbrella foundations were set up by the state in order to enable philanthropy despite tight legal regulations. In Germany, too, the costly establishment of an independent foundation has promoted the umbrella foundation model. In Switzerland, donors seemed to prefer their own foundation because of the liberal foundation law. Only in recent years have umbrella foundations grown significantly in this country as well. Now, the fund capital of the 28 umbrella foundations in Switzerland has grown to over CHF 1.2 billion. Whether this development can be attributed to increasing regulation or the general trend toward more collective activities is a matter for the personal experience of individuals. From the point of view of the sector, the growth is in any case to be welcomed: Not only are small (and also large) assets professionally managed in umbrella foundations, but the capital also flows back into society more quickly than in independent foundations, because the sub-foundations are usually geared toward distributing all their funds.

Wishing you a pleasant read.

Georg von Schnurbein

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Umbrella Foundations: More than an Efficiency Gain

Also in the NPO sector, solutions are being sought to pool resources and create an even more effective impact. In this respect, the umbrella foundation is a promising but still little-known form of organization. What is its added social value? By Alice Hengevoss

Umbrella foundations are legally independent foundations in which a founder can set up a sub-foundation whose purpose he or she defines. The umbrella foundation takes care of the legal formalities and, in some cases, offers asset management services. In addition, the sub-foundations have access to a curated project portfolio and the network of the umbrella foundation. The administrative tasks of all sub-foundations are centralized and thus efficiently managed. The board of the umbrella foundation has the decision-making power and responsibility for all expenditures of the sub-foundations. However, the sub-foundations are usually given wide-ranging freedom in how their grant funds are used. This allows Mr. and Mrs. Philanthropist to concentrate fully on their commitment.

Donor on Probation

For whom is a sub-foundation in an umbrella foundation suitable? From a financial perspective, the establishment of an independent foundation is worthwhile from assets of around CHF 10 million. However, a sub-foundation can already be worthwhile from assets of CHF 50,000. This model therefore allows people who have smaller assets to still set up their own foundation. In some cases, sub-foundations communicate with the outside world under their own name. They are also suitable for philanthropists who would like to get

involved on a small scale for the time being in order to see how their project - for example, an educational project - develops. If the project thrives, more assets can be transferred to the sub-foundations or even an independent foundation can be established. If it fails to succeed, the sub-foundation can be closed again. A sub-foundation thus offers a low-risk transit vessel for philanthropists on a trial basis.

Considerable Assets

There are 28 umbrella foundations in Switzerland today - more than there are cantons. They are involved in a wide range of funding purposes. In 2023, the umbrella foundations broke through the billion mark for the first time - they possess a cumulative fund capital of CHF 1.2 billion. This corresponds to around one percent of the total Swiss foundation assets. One percent sounds insignificant at first. However, when one considers that the remaining assets are distributed among some 13,600 foundations, this is a considerable share of assets. Umbrella foundations thus have significant potential for philanthropic impact.

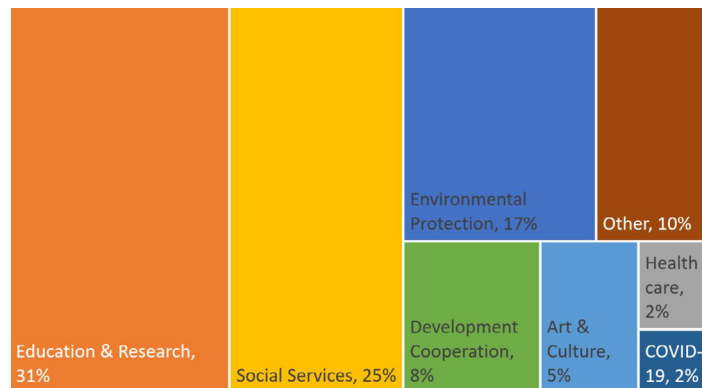
Dynamization of the sector

However, the umbrella foundation model not only offers advantages to donors, but can also create added value for society - over and above efficiency gains. From an overall societal perspective

tive, it is true that more and more philanthropic assets are available. The umbrella foundation offers a vessel to manage even smaller assets, e.g. in legacy planning, well and effectively and to allocate them to a philanthropic purpose. Philanthropic capital can also be circulated through the possibility of pooling resources of several donors in a sub-foundation. For example, it is also possible to transfer an independent foundation, whose assets have become too low to be used operationally, into a sub-foundation and thus reactivate dormant capital. Umbrella foundations are also proving to be an effective way for institutional donor organizations to realize philanthropic commitments. At the beginning of the pandemic, for example, the WHO worked with a Swiss umbrella foundation to manage the large volume of donations. Ninety percent of the sub-foundations are invested for consumption. Their assets therefore create social impact in a timely manner, which further contributes to the dynamism of the sector. When the assets are depleted, the sub-foundation is closed again.

The chart shows the grant distributions of Swiss umbrella foundations. One third of all annual grants go to education and research. A lot of funding also goes to environmental protection, nature conservation and social causes.

Source: Report Dachstiftungen CEPS 2023.



The umbrella foundation is thus an organizational form that is worth gaining in popularity due to its many advantages for founders and Swiss society. Donors still often learn about this possibility only by chance from their circle of acquaintances. The umbrella association of Swiss umbrella foundations is actively working to change this. Interested parties can find more information on the topic and an overview of umbrella foundations in Switzerland at dachstiftungen.ch.

Dr. Alice Hengevoss is Head of Applied Research at the Center for Philanthropy Studies (CEPS) at the University of Basel. She collects the annual statistics on the development of the Swiss umbrella foundation sector. She also researches and publishes on topics related to governance, accountability, and funding of international nonprofits.

Umbrella Foundation versus Donor Advised Fund

Umbrella foundations are just one option that has emerged from efforts to improve philanthropic activities and their tools. The Donor Advised Fund is another such innovation. What makes it different and for whom is it suitable?

The forms of philanthropy are constantly evolving, and philanthropists increasingly have a choice. This also applies to the question of whether a philanthropic cause should be implemented as a „donor advised fund“ - a legal concept that is particularly widespread in Anglo-Saxon countries - or within the framework of an umbrella foundation.

A Donor Advised Fund is usually understood as a donation to an independent foundation, which must be received by the foundation and the income from which must be used for a specific purpose. This purpose must correspond to that of the foundation or be subsumable under it. Thus, it is essentially the donor who decides what the income from the donation is to be used for, and not the governing bodies of the foundation. In order for a Donor Advised Fund to come into existence, there must be a written contract between the donor and the foundation.

A sub-foundation (or „fund“) under an umbrella foundation is also established by a written contract. The dependent foundation must also pursue a purpose which corresponds to that of the umbrella foundation or - which is the rule - is covered by it. Beyond that, however, there are now several differences: The grant does not have to be received, but can or even must be used up, according to the stipulations in the contract. With regard to the funding activity, a separate body can be created, e.g. a funding advisory board, which submits applications to the board of trustees of the umbrella foundation. It is also possible for the board of trustees of the umbrella foundation to grant this body decision-making authority with respect to the fund, so that the advancement council can act like the board of trustees of an independent foundation. Since the fund is based on a contract and contracts can be amended, it is also possible to change the purpose associated with the fund at a later date, or even to

convert the sub-foundation into an independent foundation.

The Donor Advised Fund is a one-time act; it is terminated for the granting party upon the grant. The establishment of a fund in an umbrella foundation, on the other hand, usually establishes a permanent relationship. The donating party (the „fondeur“ or the „fondatrice“) can, depending on the stipulations in the contract with the umbrella foundation, exert influence on the practice of pursuing the purpose beyond the purpose of the foundation.

Conclusion: Here, too, it is worthwhile for philanthropists to take a good look at the forms available for the implementation of their concerns. And why not try out both forms presented here?

Dr. Thomas Sprecher

The author is counsel at the law firm Niederer Kraft Frey in Zurich and specializes in foundation law. He is also co-author of the Swiss Foundation Code and a member of the board of trustees of several foundations.

«Ultimately, the donor decides where the money goes.»

The steady increase in the assets of umbrella foundations in Switzerland shows that this model can fill a gap and offer added value to many donors. Claudia Ineichen is the managing director of the Rütli Foundation and gives us an insight into how the umbrella foundation conducts daily business.

CEPS: Who sets up a sub-foundation with the Rütli Foundation?

C.I.: Those who want to be charitable and have a certain amount of assets or income often think about setting up an independent foundation. The fact that the foundation should have a certain asset size due to the annual costs and administrative efforts is usually not realized. Precisely for this, the umbrella foundation solution offers an uncomplicated and cost-efficient possibility. It supports the flow of money into projects and thus can have an effect.



Claudia Ineichen has been Managing Director of the Rütli Foundation for 12 years. As a former private banker, she now advises people who want to get involved in charitable work. „Being able to witness what donations from customers can achieve touches me and creates a feeling of happiness.“

A sub-foundation can also provide an entry into the world of foundations, e.g. before setting up an independent foundation. The required foundation assets in a sub-foundation are manageable compared to an independent foundation and therefore offer a larger group of people the opportunity to have a philanthropic effect.

CEPS: Is there a typical donor?

C.I.: Experience shows that older people think more about passing on their assets than younger people. This is also evident at the Rütli Foundation, where donors tend to be of advanced age on average. An even greater role than age, however, is played by personal experiences, which often lead to the desire for a foundation solution. Wealthy people without children or people who do not want to bequeath their entire assets appreciate the advantages of passing on their assets through a foundation. However, there are also an increasing number of younger people and successful entrepreneurs who feel the need to do good for the general public and share in their financial success.

CEPS: What services does the Rütli Dachstiftung offer?

C.I.: The Rütli Foundation is a Swiss, non-profit and tax-exempt foundation and is subject to the Swiss Federal Supervisory Authority for Foundations. With the affiliation to the umbrella foundation, the sub-foundation receives tax exemption. Furthermore, the sub-foundation receives various services from the beginning. The umbrella foundation takes care of the accounting and auditing, ensures that the legal regulations are complied with, submits the accounts or triggers donations on behalf of the donors. Withholding tax and withholding tax reclaims are also organized. Upon request, projects are sought that fit the formulated purpose of the sub-foundation. Furthermore, projects can be supported through cooperation with other sub-foundations or independent foundations. There are also umbrella foundations with their own projects, which they promote or recommend for promotion to their sub-foundations. In principle, however, it is always the donor who decides which charitable project is to be supported, when and with what amount. Being able to donate anonymously also protects against full mailboxes with requests for support. Requests are received by the umbrella foundation and are forwarded to the donors as often as possible, i.e. if the purpose matches.

CEPS: Do umbrella foundations follow a certain funding strategy or does it just depend on the donors?

C.I.: Customers of an umbrella foundation often already have an idea of whom they would like to support. In the umbrella foundation, tailor-made solutions are then worked out. Umbrella foundations often have a broadly formulated purpose in their statutes, so that charitable wishes of various kinds can be fulfilled. The non-profit character is the basis of the donation. This means that umbrella foundations have a funding strategy based on their purpose, but ultimately, the donor decides where the money goes.

CEPS: Umbrella foundations are becoming increasingly popular. Where is there still room for improvement for the umbrella foundation model?

C.I.: The umbrella foundations are somewhat lacking in publicity; every umbrella foundation should work on this. In addition, increased cooperation with trust offices and law firms would be useful. Inquiries for foundations often come in there. In the case of „smaller“ assets, one should point out the cost-benefit problem to the customer and recommend the umbrella foundation solution. Also for banks that do not offer their own umbrella foundation solution, cooperation with umbrella foundations should be sought.

CEPS: Many thanks and all the best for your future!

CEPS INSIGHT

Changes in the CEPS Team

Two research assistants have started their work at CEPS. Anja Rogenmoser was already working as a student assistant at CEPS and will write her dissertation in history at the Faculty of Philosophy and History. Carina Greussing recently completed her Master's degree at the University of Bern and will start her PhD at the Faculty of Business and Economics. Noam Suissa will leave CEPS at the end of March. Student assistant Christina Gut has also left CEPS at the end of January.

ceps.unibas.ch/en/about-us/team/

Annual Report CEPS

Recently, our annual report has been published. We have an eventful year 2022 behind us. For the first time, the CAS Nonprofit & Public Management took place. In addition, the MAS in Nonprofit Management & Law is now available alongside the DAS.

<https://ceps.unibas.ch/en/about-us/annual-reports/>

Incubators as Innovation Facilitators for NPO

The importance of innovation is immediately apparent, even if you only take a fleeting look at human history: People create new things. Scaling social innovation is difficult, but there are new and promising approaches.

Technological innovations do not always solve problems. They often only defer them. The concept of social innovation is therefore gaining in importance. A characteristic of a social innovation process is its focus on a specific social problem. The innovation is not (only) manifested in material things, but in particular also in a change in interpersonal manners. Although many people have the passion to get involved, it is a big step to tackle a problem at its root and bring about systemic change. To even start an organization, there is a lack of management knowledge, a relevant network, and last but not least, encouragement from mentors. Incubators can fill this gap. Their programs are cyclical in nature and in many cases take place once a year. The main component is a series of workshops held at regular intervals. Increasingly, however, incubators are also designed as nonprofits and promote organizational solutions to social problems. Well-known organizations involved in several incubator programs in this area include the Impact Hubs. They now exist in six Swiss cities. A big player in this field is also Grünhof in Freiburg

im Breisgau, Germany; it already has three locations in the city. Grünhof is home to the Social Innovation Lab, which specializes in promoting social innovations. Participants are taught topics such as marketing and communication or prototyping their own ideas. Are incubators also effective in the NPO sector? A study launched at CEPS investigates this question.

Lucca Nietlispach

NUMBER OF THE QUARTER 98%

The preview of the **Stiftungsreport 2023** shows interesting developments in the balance sheet totals of all foundations in Switzerland. The total amount has increased from CHF 70.3 billion to CHF 139.5 billion in 10 years. This is almost a doubling and corresponds to an increase of 98%.

Source: Preview Stiftungsreport 2023

Generosity in Dialog

Dr. Dr. Elisa Bortoluzzi offers a comprehensive guide to structure working with patrons and philanthropists.



Working with patrons can create challenges. With „Generosity in Dialog“ (dt: „Grosszügigkeit im Dialog“), Dr. Dr. Elisa Bortoluzzi offers an overview of common instruments of patronage.

The author has already written several well-known books that serve as guides in various areas of philanthropy. Her vast experience is also evident in this work. The relation of patrons to philanthropy is discussed in detail. Other forms of cultural funding are also explained and their differences highlighted. The various steps leading up to the grant are outlined, from the preparation of the activity, through relationship building, to the request for a donation and the maintenance of a harmonious relationship. Along the explanation of the whole process, the guide also includes numerous case studies and checklists. The book is rounded out with a look into the future and possible extensions of patronage's relationship with philanthropy.

Lucca Nietlispach

<https://www.haupt.ch/buecher/soziales-wirtschaft/grosszuegigkeit-im-dialog.html>

CALENDAR

Executive Education

CAS Nonprofit Governance & Leadership

3 Modules – Sigriswil & Basel
Start: 24 April 2023

Philanthropie am Morgen

15 June – Basel
20 June – Zurich

CAS Wirkungsmanagement in NPO

3 Modules – Wilen & Basel
Start: 21 August 2023

IL Strategisches Finanzmanagement

6 - 10 November 2023 – Gunten

MAS/DAS in Nonprofit Management & Law

Start at any time

[Register Now -> CEPS Executive Education](#)

FURTHER DATES

The value of sustainable investments and how to measure it

ERNOP online series

4 April 2023, online

Deutscher Stiftungstag 2023

Bundesverband Deutscher Stiftungen

10 - 12 May 2023, Berlin

Philea Forum 2023

Philea

23 - 25 May 2023, Šibenik, Croatia

ERNOP Conference 2023

ERNOP

29 - 30 June, Zagreb, Croatia

12. Basler Stiftungstag

Stiftungsstadt Basel

29 August 2023, Basel

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