

GERMANY

Community foundations

History

The formation of community foundations was fostered by the realization of the limits of the welfare state and the loss of trust in state activities in the 1990s. As the welfare state was declining, many Germans realized that it would be impossible to finance public welfare only by taxes on a long-term basis. The necessity of private initiative and responsibility were becoming more and more evident.

The first community foundation in Germany, the Stadt Stiftung Gütersloh, was established in December 1996 in Gütersloh, following an initiative by the entrepreneur Reinhard Mohn and the Bertelsmann Stiftung. The second community foundation was formally established in December 1997 in Hanover, at the initiative of the former Lower-Saxonian Minister of Justice, Christian Pfeiffer.

The development of community foundations was fostered by the Bertelsmann Stiftung and other private foundations, which considered community foundations a particularly attractive vehicle for donors of moderate wealth. These foundations provided administrative support and technical assistance to several community foundations during their start-up phase. Also, they organized or supported opportunities for peer learning on the national and international level. They also set up a support structure for community foundations, Initiative Bürgerstiftungen, which is now associated with the Bundesverband Deutscher Stiftungen (Association of German Foundations) in Berlin.

Community foundations are widely seen as instruments to foster civic engagement on the local level. In contrast to the Anglo-American world, most German community foundations are not purely grantmaking organizations. They do not confine their activities to providing financial support for charitable projects, but also develop, conceptualize and implement their own programs.

Current situation: Facts and figures

Number of community foundations formally established in total.	Circa 190
Number of community foundations established in 2007.	38
The number of community foundations at early stages of development.	About 100 new initiatives
Percentage of country's territory covered by community foundations.	18%
Percentage of population that has access to a community foundation.	38%
Total number of people with access to a community foundation.	About 30,700,000
Is the rate of community foundation formation steady/increasing/decreasing? Explain why in the box below:	Increasing

Community foundations in Germany are evolving very dynamically. They have become a popular vehicle for moderately wealthy donors. This development has been and will be further fostered by a new law, effective January 1, 2007, that provides additional incentives for donors. The law was designed to promote philanthropy and volunteering and is likely to increase the establishment of new foundations. The ongoing intergenerational transfer of wealth has already left its mark on philanthropy, but there is still untapped potential for more giving. Community foundations are strategically positioned to benefit from these developments.

Total sum of grants made by community foundations in 2007	More than € 5,500,000
Total number of grants made in 2007.	Not known
Total sum of the income/donations in 2007.	About € 27,700,000 for endowment and flow through funds
Single largest source of income for community foundations	Donations from individuals and local businesses
Total sum of endowments at the end of 2007.	Circa € 90,000,000
Community foundation with the largest endowment at the end of 2007 and size of its endowment.	€ 7,500,000 CF Citoyen, Frankfurt am Main

Complete list of community foundations

For the complete list of German Community Foundations and addresses, see:

<http://www.buergerstiftungen.de/cps/rde/xchg/SID-0A000F14-301814B7/buergerstiftungen/hs.xsl/db.htm>

and

<http://www.aktive-buergerschaft.de/bsi/service/bsideutschland/index.php?merkmal=alphabetischortsname>

Community foundation staffing

The staffing structure varies widely among community foundations. The number of community foundations with paid staff is slowly increasing. Most foundations start to have paid staff at a higher stage of development. Areas of professional staff include: office management, administrative services, project management, CEO.

Community foundation income

Income

Individual contributors:	60 %
Corporations:	30 %
Local government:	5 %
Other:	5%

Purposes

The percentages are not known. Most funds are for specific programs; to a lesser extent, they are for operating costs.

Permanent funds/Sustainability

€ 22,700,000 endowment

Environment for philanthropy

Local attitudes

Today many citizens are committed to organizing locally to support their local communities. They:

- understand the possibilities of supporting the social welfare role of government without substituting for it;
- feel a responsibility and a will to be active members of the local community; and
- want to use their local knowledge for civic purposes and the betterment of all.

Community foundations are well established as an innovative form of community-based philanthropy. Community foundations, as foundations in general, enjoy a very positive climate both in the business sector, in civil society, and also with the government and in the political arena. Policymakers and the general public alike increasingly recognize the growing importance of foundations. Consequently, the political debate on reforming the legal and fiscal framework governing foundations has gained momentum. Community foundations are playing an increasingly important role in this debate.

Legal and tax environment

Fiscal incentives for community foundations are the same as for any other foundation in Germany. A first law regarding tax relief for foundations (foundation tax reform) went into force on 1 January 2000. Recently, the German federal assembly passed a law to further strengthen civic engagement, which retroactively went into force starting on 1 January 2007. The additional tax incentives in this law benefit newly-established community foundations, as well as the donations towards the assets of already existing

community foundations. Moreover, the amount for deductible donations has been raised. This continues to improve the conditions for the financial development of community foundations.

There are basically two rules regulating tax deductions for donations:

1. 20 percent law: Donations up to 20 percent of the income of the donor are tax-deductible. This is an improvement, as before the amount for tax-deductible donations ranged from 5 percent up to 10 percent. Also the 20 percent rule applies to donations for all charitable purposes.
2. € 1 million law: When a donor makes a donation to a foundation's endowment, he gets a tax deduction up to an amount of € 1 million once in ten years. Married couples can claim tax deductions for the amount of € 1 million twice in ten years.

According to the old regulation, only € 307,000 were tax deductible, and only if they were donated to a newly-established foundation. For community foundations the new law is very important as, not only has the amount of tax deductible donations been raised, but the law also helps community foundations to build up endowments in the long term by offering tax efficient solutions for donors who give to already existing community foundations.

Voluntary engagement in community foundations has been facilitated. For example, a tax free amount of € 500 per year was introduced as an allowance for special expenditures of volunteers. Also, there is a special regulation in place concerning the devolution of an inheritance. If the inheritance is donated to a charitable foundation within two years after the succession, the estate tax is annulled retroactively.

Changing attitudes and the national or local environment

In the light of current developments (financial crisis of the public authorities, transformation of the welfare state, demographic change, global competition), the state cannot maintain the extent of public support for social welfare now and will not be able to do so in the future. As a consequence, private promoters of civic engagement (community foundations, private foundations, private donors, corporate citizens) need to be strengthened. This can be achieved by: increasing fiscal incentives for giving, reducing bureaucratic obstacles which impede the set-up and work of foundations and by creating a culture of appreciation in society, which fosters any form of philanthropy in terms of foundations, donations or volunteerism. With the law to further strengthen civic engagement, the government has reduced obstacles to giving and fostered a framework to create a more supportive environment for philanthropy. The existing community foundations are playing an important role in spreading the idea of philanthropy at the local level.

Community foundation activity and impact

Example. The Community Foundation Hamburg was established in 1999 by 14 donors with initial assets of € 52,000. Since then it has developed exceptionally well and can exemplify the development of German community foundations in many respects. The Community Foundation Hamburg has the fastest rate of growth nationwide, with an increase in capital by almost ninety times since its establishment. It now administers more than € 4.4 million, a large portion of which is in seven endowment funds. The Community Foundation has gained know-how in donor engagement and services. It provides investment management, fund accounting, legal expertise and administrative staff support for its funds.

The Community Foundation Hamburg commits its resources to comprehensive programs, especially in the area of Youth Development. It pursues grantmaking, as well as operating its own projects, and has successfully cooperated with various partners from non-profits and businesses in achieving its goals.

The Community Foundation Hamburg is remarkable as it embarks on a strategy which is based on the pillars of: endowment building, grantmaking, operating own projects and provision of donor services in equal measure. Thus it sets standards for the community foundation movement.

www.buergerstiftung-hamburg.de

For other case studies and information on individual community foundations, see:

www.buergerstiftungen.de (in German only)

Current challenges and future developments

Major challenges facing community foundations

Most German community foundations are still in their start-up phase. They have a great need for consultant and technical assistance with regard to asset development, management and donor services. Few have professional staff. Many still rely entirely on volunteers. Due to their relatively small asset bases and the consequently small returns on investment, a significant part of the foundations' annual operating budgets must be secured by ongoing fundraising activities. Community foundations need to build up their endowments to order to ensure their sustainability and pay professional staff.

The intergenerational transfer of wealth, the devolution of government services, and the growing political attention paid to community foundations offer great potential for future growth. Increasing public awareness, though, presents both opportunities and challenges for community management capacity and donor services. Both financial sustainability and organizational effectiveness, therefore, constitute the primary challenges for German community foundations today. Most foundations are just beginning to realize the need to invest in capacity building and professional development to ensure that their resources are being used effectively and creatively.

Areas for future community foundations development

Demographic shifts impact community needs as well as wealth, and, therefore, influence the activities of community foundations. In many areas migration patterns have left older adults isolated. Migration also contributes to ethnic and religious tensions; in Germany this is most apparent with immigrants of Turkish and Islamic origins. In some instances "parallel societies" have been created with second or third generation immigrants remaining linguistically and culturally separate. Some cities – particularly in the East – are struggling with the effects of right-wing, neo-Nazi, youth cultures. In all these instances community foundations are mobilizing to address these social divides.

The growth of organized philanthropy in Germany has been fostered by a shift from traditional social welfare policies to new forms of public-private partnerships. Increasingly, the responsibility of government agencies for the funding and delivery of social services is devolving to either private for-profit institutions or non-profit organizations. As a result, the traditional roles of the state, the private sector, and the not-for-profit sector are being renegotiated and new forms of public-private partnership explored. This search for a new balance between the state and the not-for-profit sector presents new opportunities for community foundations to expand their activities on the local or regional level.

International links

Several German community foundations have participated/are participating in the Transatlantic Community Foundation Network (TCFN): www.tcfm.efc.be , as well as in the Transatlantic Community Foundation Fellowship Program (TCFF). These peer learning opportunities provided an excellent opportunity to learn from one another and have enriched the organizational and leadership capacity of German community foundations.

Support Organization: Initiative Bürgerstiftungen

History and purpose

The Initiative Bürgerstiftungen (Initiative for Community Foundations, IBS) was founded in 2000 as a project within the Bundesverband Deutscher Stiftungen (Union of German Foundations), several private foundations and the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. Since then the initiative has been supporting the existing community foundations and movements to establish them on the regional and national levels. The IBS is the founder of the quality label “Gütesiegel” for community foundations, which it hands out for the period of two years. It is an independent project of the Union of German Foundations and its services are free of charge.

Other organizations that support and promote the development of community foundations

The Aktive Bürgerschaft e.V. (Active Citizenship) was founded 1997 in Berlin by the Federal Union of Volks- und Raiffeisenbanken (German form of cooperative “Peoples’ Banks) as an initiative of corporate citizenship. They are increasingly focusing on the development of community foundations in Germany and regularly publish reports or grant awards for outstanding civil activities.

Structure and organization

- a) No membership is necessary.
- b) The paid staff consists of four people: 1 secretary, 1 project assistant (100 %), 1 project assistant (60%), 1 project leader.
- c) Additional project starting 2008: Supporting the movement of community foundations in East Germany.
- d) Main sources of income, partners: Union of German Foundations, Breuninger Foundation, Robert Bosch Foundation, Körber Foundation, Mott Foundation, Federal Ministry of Family Affairs.
- e) Not all members of the Initiative Bürgerstiftungen are members of community foundations.

Recent accomplishments

- offering access to community foundation-related information via homepage, including advice on organizational first steps for establishing a community foundation
- distribution of newsletter on community foundations
- organizing /taking part in/supporting all kinds of community foundation-related events
- exchange of best practices /successful projects via poll of community foundation projects
- offering several readers concerning community foundation business in .pdf and print

Current challenges/future developments

- preparing new initiative to support community foundations in former East Germany
- intensifying network with/between community foundations in Germany
- updating the increasing amount of information on old/new community foundations

Additional resources

The Initiative Bürgerstiftungen website is: <http://www.die-deutschen-buergerstiftungen.de>

List of current downloads:

http://www.die-deutschen-buergerstiftungen.de/index.php?strg=12_52&baseID=52&

Correspondent: Axel Halling, IBS Project Assistant, Initiative Bürgerstiftungen (IBS) / Initiative for Community Foundations

Support Organization: Bertelsmann Stiftung

History and purpose

The Bertelsmann Stiftung helped to set up the first community foundation in Germany, the Stadt Stiftung Gütersloh, which was initiated by the media entrepreneur Reinhard Mohn. The Bertelsmann Stiftung also provided administrative support and technical assistance to several community foundations during their start-up phase. In addition, together with the C.S. Mott Foundation, it organized the Transatlantic Community Foundation Network (TCFN) as a platform for peer learning on the international level. Last but not least, it conceived and helped to set up a support structure for community foundations, the “Initiative Bürgerstiftungen” (Community Foundation Initiative), which is now associated with the “Bundesverband Deutscher Stiftungen” (Federal Association of German Foundations) in Berlin.

Other organizations that support and promote the development of community foundations:

Initiative Bürgerstiftungen. See above.

Structure and organization

The Bertelsmann Foundation is a private foundation that supports community foundations as part of its program work. For more information see http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-0A000F14-04EA99AE/bst_engl/hs.xsl/index.html

Recent accomplishments

With close to 190 community foundations in almost all parts of the country, the community foundation concept is now firmly grounded in Germany. The Bertelsmann Foundation has initiated and facilitated this development. In addition, with the Transatlantic Community Foundation Network (TCFN), it has created a unique platform for an exchange of experience and expertise among community foundations practitioners across national and cultural borders that has made significant contributions to the rise of the international community foundation movement.

Current challenges/future developments

Community foundations in Germany will have to expand their asset development and capacity building efforts. With respect to asset development, a study commissioned by the Bertelsmann Stiftung recommends developing conscious strategies for approaching individual donors and for attracting legacy gifts as the most promising way to reach financial sustainability. Donations from individuals, often in the form of legacies or bequests, already constitute the most important source for community foundation endowments. In order to increase their transactional efficiency, community foundations have to professionalize their management and operations. Technological innovations, like new software programs, will assist this process. The need to operate professionally is also likely to lead to a consolidation of back office services such as accounting, investment, and IT-services, on the regional or even national level. These services are essential for transparency and donor confidence, but they do not constitute a specific area of expertise among community foundations. Joint back office solutions would allow community foundation staff members to concentrate their resources primarily on cultivating donor relationships and implementing programmatic activities.

To fulfil these strategies it is necessary to overcome the still prevailing mindset of many community foundation board members, staff and donors with respect to capacity building. Some still believe that to be acceptable in their communities they have to minimize their operating costs and maximize the ratio of expenditures on projects and grants to administrative costs. They will have to learn that in order to grow toward financial and organizational sustainability, investments in their administrative and organizational capacity are not only legitimate, but essential.

Additional resources

http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-0A000F14-04EA99AE/bst_engl/hs.xsl/index.html

www.tcfn.efc.be

Correspondent: Dr. Peter Walkenhorst, Program Director Community Foundations, Bertelsmann Stiftung

Support Organization: Aktive Bürgerschaft

History and purpose

Aktive Bürgerschaft is a non-profit organization which was founded by several enterprises of the cooperative banking group in 1997. It is a platform for contemporary civic engagement and has been engaged nationwide in strengthening voluntary action and non-profit organizations, corporate citizenship and civil society since 1997.

Aktive Bürgerschaft (AB) provides support in establishing, organising and promoting community foundations in Germany by running the following programs and services:

- AB gives an **annual award** ("Förderpreis Aktive Bürgerschaft") to community foundations to promote the community foundation concept by attracting public attention to it and, more important, to highlight the achievements of individual community foundations as best practice
- AB provides **personal consulting and technical support** for newly emerging and existing community foundations
- AB supports **peer-to-peer exchange and training** of community foundations, for example by regional networking meetings for community foundations ("Forum community foundation")
- AB publishes **best practice guides** for community foundations (e.g. "Setting up a Community Foundation", "Successful Fundraising for Community Foundations", "Marketing for Community Foundations" etc.) and research on community foundations (e.g. an annual report on the development of community foundations in Germany and in each federal state: "Länderspiegel Bürgerstiftungen")
- AB runs an **online community foundation finder** to facilitate access to and knowledge of community foundations and to increase transparency in the sector by publishing information on the activities of each community foundation and basic financial data See: <http://www.aktive-buergerschaft.de/bsi/service/bsideutschland>
- **special website** with services for community foundations: www.buergerstiftungen.info
- monthly **newsletter** which informs about community foundations as well as civic engagement and corporate citizenship (more than 5.000 subscribers from politics, the media, non-profit organisations, businesses) as well as bi-monthly email-newsletter especially for community foundations
- AB engages in **public relations and advocacy**, e.g. by offering a media service, by organizing regional events in cooperation with several state governments like Community Foundation Days in Rhineland-Palatinate or Hesse

Other organizations that support and promote the development of community foundations

Other support organizations for community foundations in Germany include: the Initiative Bürgerstiftungen at Bundesverband Deutscher Stiftungen, the Amadeu-Antonio-Foundation and the Bertelsmann Foundation (all members of WINGS). The Amadeu-Antonio-Foundation specializes on the development of community foundations in the eastern Germany.

Structure and organization

Our board of directors consists of seven members, six of them from the cooperative banking group and one researcher whose area of expertise is civic engagement and corporate citizenship. The supervisory

board includes 20 members from civil society, politics, the media and non-profit researchers throughout Germany.

Aktive Bürgerschaft works with four and a half full-time staff (one Chief Executive Officer, one Program Director for community foundations, one Program Director for corporate citizenship and public relations, one Program Director for civil society, and a half staff member for office management) and is usually supported by an intern and/or a volunteer. The staff provides information and know-how concerning civic involvement to community foundations and other non-profit organizations, corporations (the cooperative banking group and others) and individual citizens.

Our donors are banks and corporations from the cooperative banking group, our members are cooperative banks who support community foundations in their region.

Recent accomplishments

- We are currently intensifying our efforts to offer professional development and training opportunities for community foundations, e.g. by our "Forum Community Foundations". Those regional meetings enhance networking among the community foundations while at the same time helping to professionalize their work by workshops on specific topics. E.g. in fall 2007 we held three regional meetings, one for Eastern German community foundations, one in Hesse and one in North-Rhine-Westphalia. Topics include all areas of community foundation management, such as endowment building, asset management, funding, PR, etc.
- In order to support community foundations, AB invested considerable time and know-how into the development of a strategic management tool for community foundations on the basis of the Balanced Scorecard (BSC). We have now asked several community foundations for feedback and will then make the "Community Foundation Check" ("BürgerStiftungsCheck") available to all community foundations in Germany. The aim of this instrument is to give a better overview of the critical functions of community foundations and success factors. It also provides a framework for the strategic management and evaluation of community foundation work.
- With our community foundation finder we have created a tool which facilitates knowledge of and access to community foundations in Germany and increases transparency. We are working on enhancing the functions of the community foundation finder which by now contains financial data, self-portraits and press articles of more than 60 percent of the German community foundations
- Our annual award "Förderpreis Aktive Bürgerschaft" has become an excellent tool to reach decision makers, to promote the knowledge of community foundations and to highlight outstanding achievements of community foundations. The award 2008 was given to the community foundations in Münster, Pfalz and Weimar on 28 February 2008 in a ceremony in front of more than 500 guests from politics, the media and civil society. The community foundations received enormous attention from the media and the public as a result of the award.

Current challenges/future developments

Some of the main challenges will be:

- to further enhance our efforts to professionalize community foundation work by providing training opportunities for community foundations and to thus support them in achieving more organizational and financial sustainability
- to disseminate the strategic management tool and support community foundations with the implementation

- to facilitate the establishment and development of community foundations in Eastern Germany as well as in other underserved areas

Additional resources

www.aktive-buergerschaft.de

www.community-foundations-in-germany.de

Please see our annual "Report Community Foundations in Germany: Facts and Trends 2007":

<http://www.aktive-buergerschaft.de/bsi/ressourcen/reportcfger2007engl.pdf>

Correspondent: Bernadette Hellmann, Program Director Community Foundations, Aktive Bürgerschaft