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EUFORI Study

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1 Contextual Background

1.1 The historical background

The historic events of the first half of the 20th century had a tremendous effect on the foundation sector in Austria, as in other European countries at that time. A considerable number of foundations suffered from the effects of two World Wars and the economic consequences of the Great Depression.

According to Stammer (1983) the Austrian foundation sector comprised 5700 foundations and charitable funds in 1938, whereas many more had been dissolved before then due to missing assets as a consequence of the inflation during the 1930s. During the Second World War a considerable number of foundations were dissolved, destroyed or expropriated, namely 2400 foundations. While there were efforts to repair many of these organisations with a new law in 1954, still many foundations were lost or could not be resurrected (see, for instance, Simsa et al. 2003). The numbers of foundations only significantly recovered from 1993 onwards with the introduction of a law for private foundations, although the law was mainly introduced for private purposes only (see also Chapter 1.2.). As a consequence, due to this historic tradition the current status quo of philanthropy is rather weak in Austria, especially with respect to philanthropic foundations. In comparison with this and put into an international perspective, the philanthropic tradition of giving and volunteering can be regarded as moderate (Neumayr/Schober 2011 on giving in Austria, or BMASK 2009 on volunteering in Austria).

1.2 The legal and fiscal framework

Austrian law provides for two types of foundation: foundations based on the Foundations and Temporary Funds Act (Stiftungs- und Fondsgesetz) passed in 1974, embracing federal and provincial public benefit foundations which must pursue public purposes. Thereafter in 1993 the Law for Private Foundations (Privatstiftungsgesetz) was introduced, in which Austrian legislation allowed for the setting up of foundations for the pursuit of private interests and/or public benefit. When introducing this law, the legislation also arranged for tax advantages, even if a foundation is set up for purely private interests.

The political rationale for allowing the pursuit of private interests was based on three ideas: promoting the reflow of domestic capital from abroad, preventing domestic capital from capital outflow and promoting the inflow of foreign capital to strengthen the Austrian Capital Market. Promoting the use of private capital for public interests was rather a secondary objective (Breinl 1997) and was basically considered as a by-product. In principle, a new legal framework and embodiment for asset management and asset preservation had been created. In that sense, the greater public interest was primarily the accumulation and conservation of capital in the country. Nevertheless, private foundations entirely devoted to private purposes also enjoyed tax advantages at that time. In the meantime, most of these tax advantages have been withdrawn.

The general legal treatment of these two types of foundation differs significantly.
**The public benefit foundation in Austria**

The Foundation Act of 1974 contains both civil law requirements and public law on supervision (Van der Ploeg 1999). For the case of public benefit foundations state approval (no discretion) and registration is required for the setting up of a foundation. The admission by the supervising authority must be bound to a purpose of public interest or of charitable character. There are no minimum capital requirements for the setting up of a public benefit foundation, but assets have to be sufficient to fulfil the purposes of that foundation. For public benefit foundations a governing board is mandatory. Annual accounts must be filed with the foundation authority (Kalss 2007). Moreover, public benefit foundations can be distinguished as foundations under the Federal Foundations and Funds Act (BStFG), referred to hereafter as federal public benefit foundations, which are complemented by nine Provincial Foundation Acts (LStG), referred to hereafter as provincial public benefit foundations. Whereas there is no restriction in scope for the former, the latter can only have aims which take place within the administrative boundaries of the respective province where it was established (Gassauer-Fleissner/Grave 2005).

**The Austrian private foundation**

For private foundations, based on the Law for Private Foundations (PStG) of 1993, only registration with the Austrian company register is required for one to be set up. Establishing a private foundation requires a minimum of EUR 70,000. In governance terms, private foundations require a governing board, an accountant and a supervisory board of trustees. They are not subject to any kind of control by the government authorities and the supervision of this type of foundation is completely left to civil law regulations (Van der Ploeg 1999), so therefore they are subject to court action in case of misbehaviour. Annual accounts have to be audited by a certified auditor, appointed by the court, which has the right to initiate a special investigation. There is no obligation to make annual accounts or reports publicly available (Kalss 2007). This implies that it is not possible to draw on primary data to identify the scope of this sector in terms of funds and assets.

Summarising the legal framework, Austrian founders wishing to act for the public good can choose from three legal types: public benefit foundations under federal law, public benefit foundations under provincial law and private foundations with charitable/public purposes (see Figure 1). A fourth legal type is determined by private interests only and pursues no charitable purposes. Private foundations which fulfil both private purposes and charitable/public purposes are referred to here as foundations with mixed purposes and are thus positioned in-between.
These legal options make up the framework for Austrian foundations with charitable activities. Whereas until 1993 foundations had no choice except to be charitable, the Private Foundations Law of 1993 enabled founders to endow assets not only for charitable projects but also for the benefit of very specific private groups, and especially for their heirs. Austrian charitable foundations enjoy the same tax advantages as other charitable organisations formed under various other legal formats and are subject to the Austrian Tax Code (Bundesabgabenordnung, BAO). As for any other legal body or individual, donations from foundations to organisations stated on a list of certified charitable organisations can result in tax breaks for the donor. The opposite is true, whereby if a foundation is a registered charitable organisation and is therefore receiving donations, the donor will receive a tax break. The amount is limited to 10 % of its or his/her respective yearly income.

1.3 The foundation landscape

Previous research has shown that the Austrian foundation sector consisted of 3126[1] foundations established under the Law for Private Foundations, 246 public benefit foundations established under provincial legislation and 223 public benefit foundations established under federal legislation[2] (Schneider et al. 2010). Out of the 3126 private foundations, 210 served solely public purposes and an additional 35 savings bank foundations were identified which have to serve public purposes qua law. Thus, the vast majority, namely 2881 private foundations[3], were intended to serve purely private interests. While some of these foundations partially allow for fulfilling mixed purposes (which means that they were set up for the pursuit of private interests, but also might contribute to a certain extent to charitable purposes), concrete evidence often cannot be identified through an analysis of a foundation’s deeds, as the respective infor-

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1 Enquiry date: November 2008
2 Enquiry date for both federal and provincial public benefit foundations: November 2008
3 Savings bank foundations are registered under the Law of Private Foundations
Information is often only stated in the complimentary deeds of foundation, a document which is not publicly available. Experts have estimated that around half of all foundations have at least the option of engaging in public purposes (Schneider et al. 2010). Figure 2 shows that the majority of all existing foundations only fulfil a private purpose. In total there were 2881 private foundations with only private purposes or mixed purposes, which leaves a total of 714 foundations fulfilling public interests [4], thus only accounting for less than 25% of all foundations.

Figure 2: The total number of foundations in Austria (Schneider et al. 2011)

The geographical dispersion of Austrian foundations

Regarding the regional dispersion of foundations, it can be shown (see Figure 3) that the majority of foundations have their registered offices in Vienna, the capital of Austria. Hence, the regional dispersion of foundations rather follows the dispersion of economic activity in Austria.

Almost half of all private foundations are registered in Vienna, as well as more than 80% of all federal public benefit foundations, while less than 20% of all provincial public benefit foundations and even fewer savings bank foundations are registered in Vienna.

Federal public benefit foundations, as well as private foundations, occur relatively frequently in upper Austria, lower Austria and Salzburg, whereas Carinthia, Vorarlberg, Tyrol and Burgenland lag behind in terms of registered private and federal public benefit foundations. A different pattern can be identified with respect to foundations under provincial law. Here the dispersion is more even across the different provinces. Lower Austria, Vienna, Vorarlberg and Tyrol record the most foundation under this law.

With respect to savings bank foundations, a totally different picture emerges which mirrors the structure of the savings banks sector. These foundations occur dominantly in Lower Austria, where the number of savings bank in general is considerable. Three quarters of all savings bank foundations have been established in Lower Austria, Upper Austria and Tyrol. In general, savings banks are more frequent in rural areas. Hence, not surprisingly very few savings bank foundations have been set up in Vienna.

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4 Including 210 private foundations with public purposes only, 35 savings bank foundations registered under the Law of Private Foundations, and 246 provincial and 223 federal public benefit foundations.
The formation dates of Austrian foundations

The private foundation is a rather new legal construct, which was established in 1993. Since then the number of newly established foundation with private interests has increased steadily. By the end of 1999 more than 1000 foundations had been set up. The year 2000 represents an exception with more than 800 newly established foundations in one year. This can be explained by a fiscal reform that led to higher taxation for private foundations once assets are put into a foundation (Eingangsbesteuerung). While the according tax rate with respect to these assets amounted to 2.5% before 2001, newly established foundations were moved into a higher tax bracket, namely 5% for the abovementioned assets from 2001 onwards. This entry tax was intended to substitute inheritance tax, which foundations, in contrast to other legal bodies, did
not have to pay. Since then the number of newly established foundations has slowly increased at a slightly lowering rate of around 150 newly established foundations per year. In the long run, experts anticipate a slower pace in the establishment of new private foundations due to the saturation effect, considering that people holding considerable assets have already established a foundation (see Schneider et al. 2010), and the reduction in the respective tax incentives.

In addition, an average of ten to fifteen charitable private foundations have been established per year since 1993. Again, the fiscal reform of 2001 led to a peak of newly established charitable private foundations in 2000. In contrast, the number of foundations established under the federal and provincial law is stagnating. The number of newly founded foundations has strongly decreased within the observed time-frame, which is clearly shown by the downward trend. This development is to a great extent due to civil law reasons. Persons or bodies wishing to establish a charitable foundation have a strong tendency to set up a private foundation, as this legal form offers more flexibility and also less publicity. As far as savings bank foundations are concerned, a clear downward trend is visible. Within the last five years only three new savings bank foundations have been established (see Figure 4). This can be explained by the fact that savings bank foundations are mostly a product of existing regional savings banks rearranging their ownership structure when the respective savings bank is owned by a private foundation. This also explains why the number of newly set-up saving banks will not increase any further.

Figure 4: Incorporation dates of foundations with public purposes (Schneider et al. 2011)

The financial size of the Austrian foundation sector

The asset base of Austrian private foundations was estimated to comprise EUR 99 billion in 2009, which only resulted in expenditure on charitable purposes between EUR 10 and 40 million (Schneider et al. 2010). Furthermore, it is estimated that provincial and federal public benefit foundations have total assets accounting for EUR 300 to 350 million. Assuming that public benefit foundations have a comparable annual earning rate of 4 %, we can conclude that they might distribute between EUR 12 and 14 million per year.

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5 About 80 % of all federal public benefit foundations, and 20 % of all provincial foundations are registered in Vienna.
For savings bank foundations accurate data are available, provided by the Österreichischer Sparkassenverband (the Austrian Federation of Savings Banks). In 2010 the 35 savings banks foundations spent around EUR 7.4 million on charitable purposes.

**Figure 5: Breakdown of the expenditure of Austrian savings bank foundations (provided by the Austrian Savings Banks Association)**

As shown in Figure 5, the main areas supported in 2010 were social services, followed by arts and culture, and then research and education. By adding up the estimated charitable expenditure of Austrian private foundations, that of federal and provincial public benefit foundations, as well as the figures provided by the Austrian savings bank foundations, there is a potential between EUR 29 and 61 million for charitable activities across all areas.

**Factors affecting the size and scope of the sector**

A comparison of the Austrian foundation sector with other countries such as Germany or Switzerland clearly reveals that Austria is lagging behind in terms of the size and scope of the philanthropic foundation sector (see an equivalent comparison in Schneider et al. 2010 with respect to the foundations’ expenditure per inhabitant). The lack of engagement of private foundations in public-related activities can be explained for various reasons (see Figure 6). Firstly, Austrian tax law is regarded as a barrier for more philanthropic engagement. The legal definition (which determines whether foundations are eligible for tax exemptions or not) - seems to be too narrowly defined, requiring that the foundations fulfil a direct public purpose and not via another organisation [6]. This is especially the case for grantmaking foundations, whose primary purpose is to give to other organisations this stipulation, and poses a challenge, especially if the receiving charitable organisation is not on the list of certified bodies. On the other hand it is argued that it is not appropriate that foundations’ expenditure, no matter whether they are directed towards private or public purposes, are taxed with a 25 % capital gains tax (Schneider et al. 2010).

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6 This regulation can be found in the Austrian Bundesabgabenordnung § 40 (1)
Wealthy Austrians, having established a private foundation, seem to consider the fulfilment of public and social welfare services as mainly the responsibility of the State and argue that they already contribute enough through paying income tax. This is an impression that seems to hold true particularly for the areas of education and research.

At the same time, the lack of engagement is often related to the lack of or not well-established understanding and tradition of foundations supporting the public good in Austria. While in other countries foundations are clearly seen as important players in civil society, this is not the case for Austrian foundations, which are primarily perceived as organisations that get tax benefits without fulfilling public purposes. The introduction of the legal form of ‘private foundation’ was politically motivated by an economic policy rationale. Fostering private contributions for the public interest was not intended to be in first, second or even third place. This partly explains why the pursuit of fulfilling a public purpose did not play a large role in the first years after this legal form of private foundation was introduced. It often only applied to a few role models, which encouraged other foundations to engage with public affairs. As there is no umbrella association for charitable foundations in Austria, a corresponding sector identity is lacking. This general perception was supported by the interviews in the qualitative part of this survey in Austria.

**Areas of foundations’ activities with a public purpose**

Following the International Classification of Nonprofit Organisations (ICNPO) (Anheier/Salamon 1996), and taking private foundations with solely a public purpose into consideration, on average each foundation represents 1.22 different ICNPO categories and 1.35 sub-categories with reference to foundations’ deeds. As a result, education and research, social services, as well as culture and recreation, are most often the stated activities of charitable private foundations. Specifically, 27 % of the stated activities can be assigned to the ICNPO category ‘education and research’, 20 % to ‘social services’ and 18 % to ‘culture and
recreation’ (see Figure 7). Only 5.8% of the quoted activities are too general to be assigned to any ICNPO category. The strong emphasis on education, research and cultural activities in private foundations can at least be partly explained by the preferable tax breaks for grants directed to these areas.<sup>7</sup>

While private foundations have a strong emphasis on education and research, as well as on cultural and recreational activities, federal and provincial public benefit foundations are primarily devoted to supporting activities in the field of education, research and social services.

Again, the potential tax break opportunities for the support of education and research have a potential influence on the scope of support in this field. Moreover, research and education is generally also a national matter in the framework of the Austrian Federal Republic. This State responsibility is strongly reflected in activities of federal public benefit foundations, which seem to reproduce this framework in their activities. However, social issues gain importance in relation to charitable private foundations.

Austrian provincial public benefit foundations again have a different scope of support. Here the focus changes and support for ‘social services’ is the most dominant area of activity, followed by ‘education and research’ as the second most important area of support, followed in turn by ‘health’ as well as ‘culture and recreation.’ The dominance of support for social services might be explained by the legal restriction that this type of foundation must only support beneficiaries who live and work in the respective province. This legal form of foundation can be interpreted as an instrument for supporting the closer environment in regional terms. Moreover, this idea is supported by the fact that social issues in the welfare state of the Austrian Federal Republic are frequently governed and administered on a provincial level. Hence, this legal type would then also reproduce this framework in terms of areas of activity for the public good.

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7 Until 2009 only donations to specific organisations – mostly in the field of research and development as well as cultural activities – were tax deductible. A new law concerning the deductability of donations and foundation payouts was established in 2009, allowing for the deductability of donations and foundation payouts if they donated to organisations on the list, which was expanded to the fields of social services and development aid.
The data for Austrian foundations (Schneider et al. 2010) does not allow for making conclusions about the relative importance of different purposes within a foundation in cases where multiple purposes are stated. At this stage, and given the analysed data, it can only be claimed that certain fields of civic engagement are on the agenda. Second, classification among ICNPO groups does not allow us to hypothesise about the extent of, impact on or concrete form of foundations’ activities in civil society. Empirical research beyond the deeds and officially stated purposes of foundations is challenging, as long as Austrian private foundations tend to be rather untransparent and use a rather confidential mechanism for managing their financial wealth. Therefore, the EUFORI survey is to our knowledge the first quantitative survey of private foundations with respect to their contribution to societal issues.

1.5 Research/innovation funding in Austria

As in comparable economies, research and innovation play a considerable role in Austria, its economy and society. With respect to its ‘R&D intensity’ of 2.71 % (Gross domestic expenditure on R&D, expressed as a percentage of the GDP) in 2009 [9], Austria is above average compared to the European Union (2 %) or the OECD (2.4 %). However, it is not among the top countries within the European Union, such as Finland (3.94 %), Sweden (3.62 %), Denmark (3.16 %) or Germany (3.82 %) [10]. In total, Austrian gross domestic expenditure on R&D totalled EUR 7 479 billion.

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8 Activities of private foundations with public purposes are only in %; multiple answers are possible, thus the sum of all answers does not equal the sum of all the private foundations with public purposes

9 The data for 2009 represent the final data, whereas the figures from 2010 onwards represent preliminary data according to Statistics Austria.

In general, expenditure by the government sector increased continuously from 2002 to 2011; the same was true for the business enterprise sector in absolute numbers. However, the relative share of the latter has been declining from 2007 onwards and has contributed to a rather stagnant total development over the last few years in terms of R&D expenditure in relation to the GDP (see Figure 8). A fact that is regarded as ‘putting the achievement of the ambitious Europe 2020 R&D intensity target of 3.76 % at risk’ (European Commission 2013) and can be explained by the impact of the financial crises, but also by a shortage of the respective venture capital.

In 2009, the Austrian business enterprise sector spent EUR 3.52 billion on R&D (47 %), the government sector EUR 2.66 billion (35.6 %), and foreign investors EUR 1.26 billion (16.8 %). The private nonprofit sector contributed only EUR 42 million (0.6 %). With regard to the performance of EU national innovation systems and measured by the Summary Innovation index, Austria falls into the second group of innovation followers (European Commission 2014). The Innovation Union Scoreboard of 2014 concludes for Austria that ‘relative strengths in performance are in international scientific co-publications, community designs and innovative SMEs collaborating with others. The relative weaknesses are in non-EU doctorate students and venture capital investments’ (European Commission 2014).
Highlighting the nonprofit sector, it can be seen that around EUR 42 million (0.6 %) of all expenditure on R&D is made by nonprofit organisations, which would also include foundations (see Figure 9 below).

**Figure 9: R&D expenditure and share of the nonprofit sector (2000-2010)**

![Graph showing R&D expenditure and share of the nonprofit sector (2000-2010)](image)

Source: Eurostat 2012

It should be noted that there does not exist a respective satellite account that would capture the nonprofit sector per se. Hence, the expenditure by the nonprofit sector represents a residual category. To give an example, if a nonprofit organisation carries out research activities and is funded mainly either by the government or the business sector and/or is mainly controlled by one of these players, the respective expenditure is attributed to the government sector or the business enterprise sector. Moreover, there is no way of making further classifications with respect to the legal form of the respective nonprofit organisation. Hence, we cannot draw comprehensive conclusions on the respective importance of funding activities for R&D by Austrian foundations.
2 Data Collection

2.1 The identification of the foundations supporting R&I

In order to develop a comprehensive list of foundations for the EUFORI study a three-step approach was chosen (see Figure 10):

**Figure 10: Sample process**

<table>
<thead>
<tr>
<th>Step 1: Analysis of foundation deeds</th>
<th>Result: 286 R+I related foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2: Internet research</td>
<td>Result: 8 additional R+I related foundations</td>
</tr>
<tr>
<td>Step 3: Questionnaire sent to research organizations</td>
<td>Result: 7 additional R+I related foundations</td>
</tr>
</tbody>
</table>

First, we reanalysed the full number of foundations deeds (as compared to the figures we gathered in our previous project in 2008, see also Chapter 1.2). These data are publicly available either through the Ministry of Internal Affairs, the respective local authorities or the Austrian company register (*Firmenbuch*) (see Chapter 1). By this we filtered those foundations that stated research and innovation-related activities as purposes in their deeds. The total number of foundations at this stage was 238 provincial public benefit foundations, 211 federal public benefit foundations and 3071 private foundations. Additionally, we included provincial and federal funds in our example, as they comply with the operational definition chosen for this project. In total we therefore included 102 provincial funds and 70 federal funds.

Thus, in what follows, when we use the term ‘foundation’, we refer to all the organisations in our sample, including funds. This filtering process resulted in a list of 286 foundations that mentioned research and innovation activities in their deeds. More specifically we searched for keywords such as ‘research,’ ‘innovation,’ ‘university,’ ‘academic’ and ‘technology’ or the equivalent German expression. This research resulted in 122 private foundations, 93 federal public benefit foundations, 26 provincial public benefit foundations, 19 federal funds and 26 provincial funds. In the cases of all the organisational forms included
in the sample, except private foundations, these figures represent the final sample, as these foundations are legally obliged to specify their purposes in their deeds. In the case of private foundations, we do not know if all the foundations supporting R&I were included, as not all private foundations specify their purposes in their deeds in great detail, but instead they have the option of only including this information in their auxiliary deeds, which are not publicly accessible. Thus we complemented step one with an analysis of newspaper articles and a short questionnaire addressed to potential beneficiary organisations.

To be more specific, as a second step, we analysed the print media to search for newspaper articles reporting on private foundations related to research and innovation. We used the APA Defacto database, which includes all the main national Austrian newspapers. We used the following search terms in varying combinations: ‘private foundation,’ ‘research,’ ‘science,’ ‘innovation,’ university,’ ‘university of applied science’ or the equivalent German expression. This yielded additional eight private foundations.

Thirdly, we sent out a short questionnaire to different types of beneficiaries, in order to include those foundations which we could not identify through steps one and two. In this questionnaire we asked the research organisations whether they had received funds from any foundations within the last five years. We sent out the questionnaire by e-mail to all the Austrian public universities (N=22), private universities (N=11), universities of applied science (N=21), as well as to research institutes, which are organised as nonprofit entities (N=242). While information about the first four types of research institution was publicly available, we obtained a comprehensive list of research institutes from Statistics Austria who are responsible for performing services in the area of federal statistics. This information is based on the Austrian ‘Forschungsstättenkatalog,’ a list that comprises organisations that are active in R&I, and who gave their consent to be published in this catalogue. Overall, for all the research institutions, we received 42 responses (13 universities, 23 non-university-based research institutes, four private universities and two universities for applied science). While the response rate was only 14 %, only seven additional private foundations were mentioned during this process. As the majority of these seven additional foundations were mentioned by public universities, out of which more than 50 % filled in the short questionnaire, we are therefore confident that our sample covers to a very great extent the existing R&I related foundations.

Summing up all these figures, our final sample includes 137 private foundations, 93 federal public benefit foundations, 26 provincial public benefit foundations, 19 federal funds and 26 provincial funds, making a total of 301 foundations.

2.2 The survey
Given the fact that email addresses were only available in very few cases, the 301 foundations received a survey invitation by postal mail in April 2013. We had access to all the postal addresses through their deeds. This letter contained a general invitation signed by the Head of the Institute of Nonprofit Management providing an explanation for the purpose of the survey and an invitation to fill in the survey online, including a link to the German online survey. Additionally, a letter of endorsement provided by the Austrian Federal Ministry of Science and Research was enclosed with the letter. By May 2013, 39 foundations had filled in the questionnaire and 15 foundations had declared their unwillingness to take part in the survey. Moreover, we noticed that a substantial number of letters were sent back due to wrong addresses and
unknown receivers, even though we retrieved this data from official databases or sources. Thus, to further improve the response rate, in June 2013 the Austrian project team researched the telephone numbers and people in charge of those foundations that had not yet filled in the questionnaire, and subsequently made reminder calls (approximately 200 cases). This follow-up procedure significantly improved the response rate, and resulted in an additional 70 answers, yielding a final response rate of 109 foundations, or 36% of the total sample. Given the fact that most of the foundations had either no homepage, or only provided basic information on their homepages, we could not complement the survey information with additional data from other sources.

2.3 The interviews
Between 20 January 2014 and 5 March 2014, six interviews were conducted. In terms of sample generation, we consulted the survey findings to look at the variables yielding results which need further explanation, and which could not be explained by simply looking at the quantitative data. Thus we tried to include different forms of organisation, both small and large foundations in terms of their financial means (expenditure and/or assets), as well as foundations that are financed from different sources, including foundations financed from both public and private sources. Additionally, we tried to include the few foundations that stated interesting innovation examples or which were involved in interesting partnerships, in order to further investigate these practices. In the end, we were able to conduct interviews with a bank representative who was responsible for administering eight foundations set up by the bank and devoted to supporting Austrian universities (each initially endowed with EUR 363 000), as well as the presumably largest Austrian charitable foundation in terms of total expenditure with a budget of around EUR 7.6 million per year, two minor foundations (one comprising a private endowment of EUR 1.3 million, one with an annual budget of around EUR 200 000 from public subsidies), and two medium-sized foundations (one with an annual budget of EUR 300 000 based on an private endowment and the other one with an annual budget of around EUR 2 million based on public subsidies and earned income).

We used a semi-structured interview guideline, starting with general questions about the specific motivations for setting up a foundation, and then asking more specific questions about their respective practices, their grantmaking strategy, the existence of national or international partnerships, their perception of specific roles in society, the role of innovation in their activities and perceived barriers against the foundations’ activities. Concerning those foundations that had been chosen because of their specific innovative and collaborative activities we further investigated these issues. The interviews typically lasted between 30 and 60 minutes.
3 Results

3.1 Types of foundations
Out of the 109 foundations which filled in the questionnaire, 66 organisations (thus 60 % of the responding foundations) are actually active in the field of research and/or innovation. The remaining 40 % have research and innovation purposes stated in their deeds, although they are presently not active in the field of research and innovation. In these instances, the research purposes stated in the deeds apparently have a subsidiary or optional character. In what follows, we will only focus on those 66 foundations that are actually active in the field of research and/or innovation. For each sub-chapter we will focus on the general results and present more detailed results in cases where interesting patterns in terms of different subgroups/variables emerge.

In this first sub-chapter we consider the specific characteristics of the foundations that took part in the survey, such as their legal status, age, or their predominant purpose.

The legal type of foundation
Austrian Law provides for three different types of foundation (see Chapter 1) and two closely related legal forms, the so-called federal and provincial funds, which fulfil the working definition used in this project, with the difference being that they were not necessarily established to exist for an unlimited time period, but are usually long-term oriented. Thus, for the purpose of this report, when we refer to foundations in general, federal and provincial funds are included.

Our results show that federal public benefit foundations (39 %) and private foundations (35 %) are the most common legal form dealing with issues related to research and innovation. Moreover, provincial public benefit foundations, as well as federal funds, both account for 10 % of all the responding entities. Provincial funds do not play an important role and lag behind, only making up 5 % of the sample under analysis (see Figure 11).

Figure 11: Legal forms of F&I foundations in Austria
As a percentage of the total number of foundations (N=66)
In terms of the regional dispersion of these foundations, most of them, no matter which legal type, 62 % were founded in Vienna, the capital of Austria. Salzburg and Styria are two provinces where 10 % of the sampled foundations are situated. All the other provinces account for no more than 5 % of all the foundations.

**The age of the foundations**

As far as the age of the foundations is concerned, one can clearly see that the majority (40 out of 56) were founded after 1990, while fewer than 10 foundations were founded before 1979 (see Figure 12). From this we can conclude that research and innovation foundations are predominantly a phenomenon of the last three decades.

Figure 12: Types of foundation according to year of establishment
Number of foundations by decade (N=56)

Types of foundation: research and/or innovation

Looking at whether foundations are either active in research or innovation activities (see Figure 13), one can see that the majority of the foundations under analysis deal with research, namely 64 %, another 34 % are active in both research and innovation and only 2 % exclusively stated innovation activities.

Figure 13: Types of foundation; research and/or innovation
As a percentage of the total number of foundations (N=64)
Grantmaking versus operating foundations

Overall, grantmaking foundations are in the majority and account for 65% of the respondent foundations, whereas 24% are operating foundations and another 11% are both grantmaking and operating (see Figure 14). These findings are similar across most foundation types, with the exception that the majority of operating foundations are set up as private foundations.

Figure 14: Types of foundations; grantmaking versus operating
As a percentage of the total number of foundations (N=61)

Mostly or partly supporting R&I

To find out about the extent of grantmaking, the relative amount of expenditure that goes on research and innovation instead of other activities is a valid indicator. Our data show that three quarters of all foundations spend 80% or more of their expenditure on research and innovation activities. Thus, we can conclude that the majority of these foundations mostly support R&I.

In those instances where research activities are only marginal, research activities often have a very close relation with the other funded topics, e.g. a foundation that is active in international aid conducts research to find out about the efficacy of a specific funding instrument.

3.2 The origin of funds

Financial founders

Almost half, namely 46% of the respondent foundations, are (or at least partially) funded by one individual or family.

Among the other important founders is the public sector: 28% of all foundations have a public body as their founder, and 16% were exclusively founded by a public organisation. Federal and provincial funds in particular are set up by the public sector. Additionally, for profit corporations (23% of all foundations) and other nonprofit organisations (18%) function as founders, whereas universities (10%) and research institutes (3%) establish a foundation less frequently (see Figure 15).
80% of foundations were funded by one founder, meaning only 20% have more than one founder. In those instances where more than one founder was present, a frequent combination is the joining of forces between the State and a private foundation. To provide a practical example from the interviews, one foundation was set up by both a number of individuals and local municipalities in order to maintain the memory of an important Austrian architect and to make his artistic work available to the public.

A further analysis of the origin of the initial endowment shows that the majority of foundations, namely 69%, mention a donation from the initial founder as the source of their endowment. Additionally, 20% mentioned a bequest as the source of their endowment and another 20% stated property as the origin of their endowment. Shareholdings played a comparatively unimportant role. In most instances the endowments came from one source.

Furthermore, the results clearly show that the majority of all the foundations (87%) maintained or even expanded their endowment at the trustees’ discretion (19%), and only 13% wanted to (partially) spend down their endowment.

**Total income**

Overall, the 44 foundations that responded to this question have a combined income of more than EUR 137 million. The annual income of individual foundations varies significantly, ranging from EUR 2,900 to EUR 68,300,000 per annum, while the median income amounts to EUR 135,259, and the mean is EUR 311,672. Thus, the results are greatly skewed, as some of the largest foundations raise only an average amount. Looking at the distribution of the total income between the foundations, 40% have an income below EUR 100,000, another 30% have a total yearly income of between EUR 100,000 and EUR 1,000,000, 10% have an income of between EUR 1,000,000 and EUR 10,000,000 and only 8% have an income of between EUR 10,000,000 and EUR 100,000,000, while none of the foundations has an income above EUR 100,000,000 (see Figure 16). Among the foundations with the highest income, we find a set of publicly funded...
foundations, such as two universities of applied science or a very large fund that gives money to all types of research. Our data further reveal that the majority of large foundations in terms of annual income are private foundations, and in most cases operating foundations, while most of the other foundations have a comparable small income.

**Figure 16: Total Income according to category in Euros, 2012**
As a percentage of the total number of foundations (N=50)

![Figure 16: Total Income according to category in Euros, 2012](image)

On average, foundations obtain their income from two different sources. Consistent with the findings about the common combinations of different founder types, income from an endowment frequently goes together with an income either stemming from donations, from the government or from service fees. Looking at the composition of income (see Figure 17), 84% of the respondent foundations derive (part) of their annual income from interest or dividends from an initial endowment. Besides interest from an initial endowment as a source of income, 28% of the foundations have at least partial access to government sources and 26% receive donations from corporations. Beyond that, 19% of all foundations generate service fees, 18% obtain donations from individuals, 11% receive money from other nonprofit organisations, and 4% from other sources.

**Figure 17: Sources of income**
As a percentage of the total number of foundations (N=57)
A quite different picture emerges if one looks at the percentage of total income each source of income accounts for (see Figure 18). 69% of the total (known) income comes from government sources, 8% stems from an initial endowment, 4% comes from service fees and sales, 3% from donations from other nonprofit organisations, 2% stems from donations from corporations, and 14% comes from other sources (such as licences). This reveals that some very large foundations who receive money from the government push up the total amount of income received from this source. For example, two universities of applied science are set up as foundations, receiving large amounts of government funding each year. Interestingly, giving money to foundations does not correspond with having a say on the board. In almost 90% of all cases the government does not have a seat on the governing board. Similarly, the influence of government bodies on decision making is judged as very low. On a Likert scale ranging from 0 to 10 (with zero meaning no influence and ten implying a high influence) 80% of the foundations do not assess the influence of the government as being higher than three.

**Figure 18: Sources of income**
As a percentage of total (known) income

Overall, summing up the assets of all the foundations gives an amount of EUR 1 610 340 769 Euros. Our results show that on average assets amount to EUR 40 258 519; however the median value is significantly lower, with EUR 1 093 065. Thus, once again a small proportion of the large foundations have a significant effect on the average. Figure 19 demonstrates that 42% of all the foundation have assets of between EUR 100 000 and EUR 1 000 000 and another 45% have assets of between EUR 1 000 000 and EUR 10 000 000 Euros. Thus, almost 90% of all the foundations fall into these two asset groups.
Having a glance at how these assets are invested, a clear picture emerges: the majority of all assets, namely 91% (amounting to EUR 1,467,837,493) are invested in securities. Current assets are also relevant (8%) amounting to EUR 138,704,248. All other forms of assets are relatively unimportant, especially if one compares these figures with the data on the overall foundation sector in Austria, a significant difference emerges, as investments in land and housing play a very relevant role. Additionally, our interviews demonstrate that a conservative investment is essential for all the interviewed foundations, since the stability of the foundations is their main goal.

3.3 Expenditure

Total expenditure

The average amount of total yearly expenditure is EUR 1,791,000. Again, the median value is significantly below this, only accounting for EUR 99,259 Euros. More than half of all the foundations (52%) spent less than EUR 100,000 in 2012, another 27% spent between EUR 100,000 and EUR 1,000,000, 12% between EUR 1,000,000 and EUR 10,000,000 and only 9% spent between EUR 10,000,000 and EUR 100,000,000 in 2012 (see Figure 21). Out of all the interviews with foundations funded by private individuals, a rather small annual amount was mentioned as one impediment to achieving a broader impact. While all of these foundations are conscious of their rather small contribution, they still stress the importance of their activities for setting an example.
As a percentage of the total (known) expenditure it can be seen that 40 % is reserved for research, 15 % goes on innovative activities and another 45 % on other purposes (see Figure 22).

**Research**

As a percentage of the total expenditure on research, 64 % is devoted to basic research, 21 % goes on applied research and 15 % is unknown. In terms of foundations, 80 % give to basic research and 48 % to applied research (see Figure 23).

---

11 This amount is greatly influenced by a small number of foundations.
Separating direct research and research-related activities as a percentage of the total expenditure on research, 73% goes to direct research, 15% to research-related activities, and 12% is not allocated.

### Distribution of expenditure on research

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount in Euros</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct research</td>
<td>18 868 787</td>
<td>73%</td>
</tr>
<tr>
<td>Research-related</td>
<td>3 802 058</td>
<td>15%</td>
</tr>
<tr>
<td>Unknown</td>
<td>3 158 560</td>
<td>12%</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>25 829 406</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Innovation

80% of all innovation expenditure is in the form of grants, while 6% is operating expenditures and 14% is not known.

### Distribution of expenditure on innovation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount in Euros</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>7 358 657</td>
<td>80%</td>
</tr>
<tr>
<td>Operations</td>
<td>511 032</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Unknown</td>
<td>1 295 772</td>
<td>14%</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>9 255 520</td>
<td>100%</td>
</tr>
</tbody>
</table>

A variety of different innovation-related projects are described, ranging from technology-focused projects such as the development of a special tool that helps to locate divers, to specific tools for wind power plants, to new forms of knowledge transfer in the field of medicine, to the development of a university program for children, to projects that help to measure the impact of large events (see Chapter 4).
Changes in expenditure

While 77% of all foundations kept their expenditure constant during the previous year, 72% plan to do so in the coming year. Additionally, 16% of all foundations have increased their expenditure during the last year, and 24% want to do so in the coming year. Some foundations stated that they want to double or even triple the amount spent during the previous year. Only very few foundations, namely 5% last year and 4% (for the coming year) decreased/will decrease their expenditure (see Figures 24 and 25). Our interviews show that stability of funds is one of the strong points attributed to foundations, which is at least partly due to rather conservative investment strategies. For instance, one savings bank foundation in the sample said; ‘Overall we are a very stable foundation. I mean, of course we can have short-term difficulties if the dividends are lower one year. But in the long run we are very stable, we only have to overcome current difficulties, still having a very substantial financial foundation, so that we will be able to pursue the activities over a very long period of time.’

Another foundation said; ‘There have been a lot of good years (…) in which we were able, through very conservative but stable asset management, to invest sustainably. We have successfully managed all crises, because we have invested and will invest very conservatively (…). This allows us in times of low interest rates to spend constant amounts of money and not have to say, “sorry, but we don’t have money” during bad times. This also increases certainty for our beneficiaries.’

Those who want to increase their expenditures often don’t have the possibility to do so through their own funds, but instead try to obtain additional funds from other institutions.

Figure 24: Changes in expenditure on research and innovation compared to the previous year (N=56)
3.4 Focus of support

On average, individuals are the most frequently mentioned target group of Austrian foundations supporting R&I. About 50% of all beneficiaries are individual people. Public higher education institutions rank second, accounting for 25% of all beneficiaries. Moreover, nonprofit organizations and research institutions (each accounting for 9% of all beneficiaries) play a relevant role. Private higher education institutions, the government sector as well as the business sector, together make up less than 10% of all beneficiaries (see Figure 26).

Research areas

Analysing the specific research areas funded by foundations, the results reveal that 46% of all foundations fund the humanities, 39% fund natural sciences, another 39% social and behavioural science, and 33% medical science. Thus, these four areas of activities are the most frequently mentioned. Another 18% of respondents mentioned engineering and technology, and 7% agricultural science, and another 12% fund activities which have not been included in the list provided, such as the fine arts or music (see Figure 27). Some tentative results (as only few foundations answered this question) show, that overall the amount
that goes to natural science, agricultural science, and engineering and technology are higher compared to expenditure on the humanities and social science. Overall, in those instances when foundations fund more than one field simultaneously, natural sciences and engineering are the two fields which are often prioritised.

**Figure 27: Research areas**
As a percentage of the total number of foundations, multiple answers possible (N=57)

![Research areas chart]

**Research-related activities**
Five research-related activities stand out: dissemination and research (mentioned by 64 % of the foundations), research mobility and career development (56 %), the provision of infrastructure and equipment (40 %), science communication and education (44 %) and civic mobilisation (28 %). On the other hand, technology transfer (12 %) seems to be of minor importance (see Figure 28). In terms of the amount spent on each research-related activity, very tentative results (again, only very few foundations have answered this question) indicate that the highest amounts go on the provision of infrastructure and equipment, as well as science communication and education. In those instances where more than one research-related activity is funded, research mobility, the dissemination of research, results as well as infrastructure and equipment are the three prioritised activities.
Changes in expenditure on research and research-related activities

Our data shows that foundations do not frequently change their areas of research, nor the research-related activities they fund. Within the five last years, their funding priorities have remained fairly stable.

3.5 The geographical dimensions of activities

Geographical focus

In terms of foundations’ geographical focus it can be clearly seen that out of the total known expenditure on R&I, 48 % goes to beneficiaries on a local level, 39 % on beneficiaries on a European level, 7 % on beneficiaries on a national level and 5 % on institutions on an international level (see Figure 29). It should be noted that the large amount of research expenditure on a European level is only due to a handful of large foundations. Our interviews revealed that small foundations in particular stated that one reason they are only active on a national level is their rather small financial basis not allowing them to become active on an international level. As a representative of one small foundation said, ‘well, I believe it is simply the financial scope of the foundation that makes international activities irrelevant.

Expenditure according to geographical level

<table>
<thead>
<tr>
<th>Geographical level</th>
<th>Amount in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>15 185 955</td>
</tr>
<tr>
<td>National</td>
<td>2 118 543</td>
</tr>
<tr>
<td>European</td>
<td>12 447 685</td>
</tr>
<tr>
<td>International</td>
<td>1 827 742</td>
</tr>
<tr>
<td>Not allocated</td>
<td>1 945 001</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>33 524 926</td>
</tr>
</tbody>
</table>
Among those foundations that are active in other EU countries, 67% stated that they have not encountered difficulties in this area. 25% indicated that they have encountered legal difficulties and another 25% indicated that they have faced cultural problems. Furthermore, fiscal difficulties and problems with intellectual property rights were mentioned.

**The role of the European Union**

Concerning the potential role of the European Union in relation to foundations, 50% of the foundations agreed that an incentivising legal framework should be among the priorities of the EU. Other than that, the provision of a structure to enhance collaboration and to raise awareness for the specific context of foundations ranked second (43% of the foundations mentioned these two factors). Other important issues concerned the establishment of a suitable legal framework (38% of foundations), actual collaboration with foundations in projects (30%), investment in information infrastructure (25% of all foundations) and the evaluation of projects from foundations (20%) (see Figure 30).
Contributions to European integration

As a percentage of the total number of foundations, multiple answers possible (N=57)

- Providing fiscal facilities: 50%
- Awareness raising: 43%
- Enhance collaboration: 43%
- Providing legal framework: 38%
- Collaboration: 30%
- Investing in information infrastructure: 25%
- No opinion: 23%
- Evaluation: 20%
- None: 7%

Asking about their contributions to European integration, 48% of the foundations stated that they contribute to research issues on a European level. Their contribution to the integration of cultural issues (34%), to social issues (25%) and to educational issues (18%) is also relevant. Interestingly, 26% of all the foundations did not know what their contribution is, and another 22% did not think that they contribute to European integration (see Figure 31).

Figure 31: Contribution to European Integration
As a percentage of the total number of foundations, multiple answers possible (N=58)

- Yes on Educational issues: 17%
- Yes on Research issues: 48%
- Yes on Social issues: 26%
- Yes on Cultural issues: 34%
- Yes on Other issues: 2%
- No: 22%
- I don’t know: 26%

3.6 Foundations’ operations and practices

The management of foundations
Looking more closely at who defines annual strategy in foundations, it is evident that the governing board
is most frequently responsible for this. Approximately a half of these governing boards have appointed members, whereas one quarter has an elected governing board and (at least officially) only less than 10% have the original founder decide on annual strategy. One interesting finding shows that in private foundations in particular the appointed board members are active, whereas in all the other types of foundation you find a mixture of appointed and elected governing boards.

As far as the number of members on the governing board is concerned, on average each governing board consists of a bit more than four people and in 50% of all the cases the supervisory board has fewer than eight members. Referring to the interviews, our findings show that the composition of board members normally follows a specific pattern: the board often comprises people who are knowledgeable on the specific subject matter of the foundation, people who directly or indirectly represent the initial founder, plus one or two people who have good public standing in order to act as bridge builders with other important institutions, such as sponsors. Concerning the public standing of board members, one board member we interviewed stated: ‘it is about the experience I have and personal contacts and networks. This is important in order to mobilise new partners for the foundations, both in terms of funds as well as collaboration, and I am very confident that we will reach this goal.’ Moreover, our data indicate that only 30% of all foundations have at least one paid staff member. On average, those organisations that have staff members employ seven people. Not surprisingly, we see a strong positive correlation between the number of staff members and the financial size of the foundations. In relation to the, small foundations in particular argue that they are not able to engage in more projects, simply because they do not have the workforce necessary to conduct more projects, or to offer different kinds of activities that are more labour-intensive. Consequently, one representative of a foundation active in the field of arts mentioned: ‘we unfortunately only have two people working for the foundation, so we can only act on a very modest level. We would need more people, as there are so many different approaches and ideas in his artistic (n.b. the artist in whose name the foundations was set up) work.’

**How do grantmaking foundations support research?**

Focusing on the specific practices of foundations, a couple of interesting patterns emerge (see Figure 32). Almost 80% of all the foundations under analysis often or always demand evidence of how their grants have been spent. However, this evidence does not necessarily result in formal evaluations, as almost 28% of the foundations rarely or never conduct evaluations to assess whether a grant was successful and why. Two explanations are given in the interviews for the paucity of these evaluations: on one hand foundations simply have difficulty in finding the appropriate indicators in order to evaluate their beneficiaries, and on the other hand one foundation stated that giving money is always combined with a thorough dialogue in the beginning, so that trust can function as a substitute for any evaluations.

Furthermore, the results clearly show that the majority of foundations, namely 75%, are never or only rarely involved in the implementation of projects. However, all interviewees stressed that they somehow want to offer support beyond only giving money, be it through consulting or offering them access to their own networks.
As far as the active call for proposals is concerned, there is no clear tendency. Half of the foundations choose an active approach for proposals, while the other half take a rather passive approach when accepting applications. Similarly, about 60% of the foundations do not actively search for projects, while the remaining 40% does (or at least sometimes). Another way for grantees to be identified is through word of mouth. For instance, one small foundation in the interviews stressed that they keep their Internet presence low and instead said that: ‘we are actually happy that only few people know about our homepage (...). We rely on word of mouth in this critical scene of people (...).’

Whether foundations support beneficiaries only once or at multiple times, is not clear. While 50% offer them support on a regular basis at least sometimes (or more often), 50% of the foundations rarely or never offer their support on multiple occasions. In terms of the amount per beneficiary, there is a tendency to give small amounts to a larger number of organisations. In terms of numbers, 70% at least sometimes (or more often) prefer to give small amounts to a larger number of grantees instead of larger amounts to a smaller number of grantees. No consent exists among the foundations as to whether support should be given on a long-term or short-term basis. While 60% of the respondents never or rarely give long-term support, 40% of the foundations at least sometimes give their long-term support. Concerning long-term support, one foundation stressed the importance of giving over at least a three-year period, ‘so that the beneficiaries can plan.’

In terms of who is supported, one can see that foundations often or always (34%), or at least sometimes (36%), prefer to give grants to multiple organisations.

**Figure 32: Daily practices of grantmaking foundations**
As a percentage of the total number of foundations (N=41)

<table>
<thead>
<tr>
<th>Daily practice</th>
<th>Never/Rarely</th>
<th>Sometimes</th>
<th>Often/Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support on a long-term basis</td>
<td>61%</td>
<td>9%</td>
<td>30%</td>
</tr>
<tr>
<td>Support organisation only once</td>
<td>55%</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>Involved in implementation of projects</td>
<td>76%</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Conduct evaluations</td>
<td>37%</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td>Demand evidence of how grants have been spent</td>
<td>12%</td>
<td>10%</td>
<td>79%</td>
</tr>
<tr>
<td>Prefer small grants to multiple organisations</td>
<td>29%</td>
<td>37%</td>
<td>34%</td>
</tr>
<tr>
<td>Pro-active/competitive call for proposals</td>
<td>57%</td>
<td>5%</td>
<td>38%</td>
</tr>
<tr>
<td>Wait for applications/no active call for proposals</td>
<td>49%</td>
<td>5%</td>
<td>46%</td>
</tr>
</tbody>
</table>

**Engagement in partnerships**
The majority of Austrian foundations active in research and innovation are not engaged in partnerships (75%). The small size of foundations (in terms of their financial status) and the difficulty of finding well-
fitting cooperation partners with similar interests were both mentioned in the interviews as reasons as to why no cooperation had taken place. One small foundation, which had tried to build a cooperation with another founder in a similar field stated that: “he is only doing his own thing. He has no interest in cooperating.’ In another interview one foundation representative argued that: ‘the idea of forging a partnership with another foundation just never arose.’

Only a quarter of the interviewed foundations are active in partnerships. Among these, partnerships with universities, other research institutions, nonprofits or companies were most frequently mentioned. Partnerships with other foundations or the government are less common.

**Figure 33: Partnerships**
As a percentage of the total number of foundations, multiple answers possible (N=57)

- Yes, foundations: 12%
- Yes, universities: 23%
- Yes, hospitals: 4%
- Yes, research institutes: 23%
- Yes, governments: 9%
- Yes, other non-Profits: 19%
- Yes, companies: 16%
- No: 75%

Looking at the specific reasons that motivate foundations to forge ties with other organisations, the pooling of expertise, the expansion of own activities and pooling money due to lack of necessary funds are among the top three reasons why foundations establish partnerships (see figure 34).

**Figure 34: Motivation partnership**
As a percentage of the total number of foundations, multiple answers possible (N=14)

- Expanding activities: 86%
- Pooling expertise/sharing infrastructure: 79%
- Increasing impact: 57%
- Pooling money for lack of necessary funds: 50%
- Creating economies of scale: 21%
- Increasing legitimacy: 21%
- Avoiding duplication of efforts: 7%
3.7 Roles and motivation
One interesting point which agrees with the results from previous studies about the roles of foundations within society (Simsa 2005) is the fact that 81% of all the foundations often or always see their role as complementary to the State. At the same time, this does not lead them to see their role as exclusively complementary. Instead, only 38% see their role as never or rarely substituting for State activities, while 26% often or always substitute for State activities. This implies that foundations see their role as being more on the complementary side, although they sometimes substitute for State activities. Thus, there is no clear demarcation between their substitution for State activities and taking on a more complementary role. Foundations active in the fields of medical science, behavioural science and the humanities comparatively often stated that they at least sometimes substitute for State activities. On top of that, foundations are often associated with initiating new projects. Looking at the Austrian foundations in our sample, 44% of all the foundations never or only rarely take on an initiating role, a quarter sometimes take on an initiating role, and 32% often or always take on an initiating role. Moreover, our results indicate that only very few foundations aim to rival with other initiatives, and thus want to take on a more competitive role (see Figure 35).

Figure 35: The role of foundations
As a total percentage of foundations according to role

<table>
<thead>
<tr>
<th>Role</th>
<th>Never/Rarely</th>
<th>Sometimes</th>
<th>Often/Always</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive (N=52)</td>
<td>86%</td>
<td>12%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Initiating (N=49)</td>
<td>44%</td>
<td>23%</td>
<td>33%</td>
<td>0</td>
</tr>
<tr>
<td>Substituting (N=50)</td>
<td>38%</td>
<td>36%</td>
<td>26%</td>
<td>0</td>
</tr>
<tr>
<td>Complementary (N=57)</td>
<td>7%</td>
<td>9%</td>
<td>81%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Our interviews support these findings. In all the interviews, the foundations stressed that they are mostly active in complementary fields. One foundation stated: ‘we have regulated in our statutes that we do not want to free the State from its responsibilities. We have thought about this a lot. Rather, we want to raise awareness for all kinds of deficits in our society.’ Additionally, the foundations also mentioned in all the interviews that due to the often relatively small amounts of money they have at their disposal each year, their impact is rather limited. However, as one foundation representative put it: ‘anything is better than doing nothing. (…) I do believe that we contribute to society in general, that we constitute an example, even if it is humble, and that we appreciate what is happening in universities.’ Another representative mentioned that in some instances they can act as an enabler or function as a lighthouse, also with the aim of sending a signal to other foundations to take action.
In terms of specific motivations for setting up a foundation in a legal format, a common point in all interviews was the general motivation of funding a specific purpose over a long period of time and ‘to provide a stable and formal structure for our activities.’ Content-wise, all the activities have a very close connection to the biographical or company background of the founder, be it in relation to the region, topic or beneficiary group. Beyond that, we saw a variety of different motivations, such as assuring that the work of a specific artist would be kept alive: ‘also a museum could have got a collection of his work. But the idea was to show what is extraordinary in his work, in his theory (...) to put a focus on his specific work. Because otherwise, as we all know, some collections gather dust;’ also to offer support for areas that are not popular and would not get funding otherwise, or the strong and trusting agreement between different stakeholders that prompt grantgiving: ‘like most things in life the foundation has been a strong social connection with the deans or other leading people within universities.’

At the same time, the interviews showed that foundation law in combination with tax law was perceived as unfair and restrictive, a factor that they perceived as challenging and restrictive and gave reasons as to why there are only a few research foundations and public purpose foundations overall. On a more general level, the omnipresence of the State in financing research was also seen as a hindering factor. One foundation’s spokesperson mentioned: ‘I believe, that in Austria the old spirit still prevails, implying that all activities related to research should be financed by the State. This might be related to our history, but maybe also to the high level of income tax in Austria. These are topics that need to be dealt with if we want more private money invested in research and innovation.’
4 Innovative Examples

The quantitative survey comprised 20 entries from 10 foundations with respect to innovative projects that they supported or operated, representing a response rate of only 15% for the 66 responding organisations. Even though the term ‘innovation’ was defined as ‘the introduction to the market of a new product, methodology, service and/or technology or a combination of these aspects’ within the scope of this study, the range of interpretations was rather high. To highlight some of them, the following examples were mentioned:

- the development of a device to locate divers (comparable to an avalanche transceiver);
- legal counselling for migrants;
- care services for survivors of torture or war;
- recycling of energy storages such as batteries;
- technical improvements to wind power plants;
- summer university programs for children aged eight to twelve years;
- new methods of knowledge transfer in medical studies (case study-based teaching, interactive online learning tools).

There were also some rather unspecified entries occurred such as:

- monitoring and controlling partner organisations;
- testing software;
- diverse projects or supporting organisations in other countries with respect to the deeds of the foundation.

This picture was complemented by the interviews within the qualitative part of the study, where the introduction of a ‘Student of the Year Competition’ at an Austrian university was mentioned, or the general financial support of universities and research in general was subsumed as supporting innovation. Moreover, the support for book projects or exhibitions, or the implementation of an international award for social projects, were frequently argued as being innovative practices as opposed to the perception that these things have not existed before. One interviewee also said that: ‘innovation is overrated, as there are numerous things to do and support, even though they do not seem to be innovative.’ He concluded that if their activities are new and innovative, taking place, for instance, in a new geographical context, that would be fine. However, being innovative is not a goal per se for them.

Another interviewee stated that: ‘innovation, understood as the transfer of scientific knowledge into marketable products,’ is a part of their goal of pursuing scholarships or supporting children by arousing their interest in research in the context of programs for children at universities.
The latter can be regarded as an innovative example of a foundation’s activity in the Austrian context aimed at stimulating the general public to be more involved in research and/or innovation, and is called ‘Kinderuni Graz’ \(^{[12]}\) (‘Children’s university in the provincial capital of Styria, namely Graz). The goal of this initiative is to get children excited about science and is a collaboration of projects by several universities in Graz. Researchers and lecturers from these higher education institutions try to arouse the interest of children. The programs on offer, taking place in university venues, provide insights into the everyday life of students and faculty members and are complemented with workshops and lectures to provide children with different perspectives and the opportunity to experiment on their own. By this, they will be able to stimulate the scientific curiosity of their target group. The young students get a student ID, and by completing a certain number of workshops and lectures they can graduate from the program.

Another example found during the course of our research is an innovative system of Fellowship Programs that was established by the American Austrian Foundation (AAF). Their activities aim at ‘bridging the knowledge gap by providing qualified individuals with fellowships to pursue postgraduate education in medicine, the media and the arts AAF’s fellowship programs.’ The AAF’s largest program was founded in 1993 under the label of the Open Medical Institute and is comprised of various activities such as medical seminars, observerships, research observerships, satellite symposia, visiting professorships or for distance learning in medicine. All the activities together contribute to introducing the latest medical research in health care (e.g. treatment or diagnosis), especially for physicians from countries in transition, and improving health care delivery via an intended multiplier effect. The stated ‘key to the program’s success is the opportunity for fellows to return on an ongoing basis, and providing them with a network of faculty members and colleagues, whom they can consult with whenever the need arises. This allows them to access information, without leaving their countries, thus promoting brain gain and preventing brain drain \(^{[13]}\).’ These activities are embedded in an extensive international network of partners, promoters and funders from universities, foundations, NGOs and companies.

From an additional search beyond our study the following example was identified: the Zero Project, initiated by the Essl Foundation in 2010. A ‘world without barriers’ is the core mission of this initiative aiming at ‘improving the lives of disabled persons as well as researching social indicators that measure the implementation of the UN Convention on the Rights of Persons with Disabilities (CRPD) and the current situation in all countries of the world.’ \(^{[14]}\)

The Zero Project is not only an example of a successful partnership of various international players such as nonprofit organisations, foundations, governmental bodies, companies and supranational organisations, but is also innovative with respect to enabling and fostering the development of the respective social indicators by establishing a network of around 2000 disability experts from more than 130 countries. Moreover, the initiative seeks out innovative practices as well as innovative policies from all around the world, which are then evaluated and presented to a wider public.

\(^{12}\) http://www.kinderunigraz.at/
\(^{13}\) http://www.aaf-online.org/index.php/about-us.html
\(^{14}\) http://zeroproject.org/about-us/mission-statement/
In conclusion, the Austrian charitable foundation sector is rather heterogeneous in itself. R&I foundations are generally hard to identify; a more prominent example would be foundations supporting R&I among other areas and issues. In that respect, one interviewee put it quite vividly in stating that for him dealing with ‘research is so to speak something that would be a sign or part of a maturity process in a foundation.’ As his foundation deals mainly with social problems, these are at the top of their priorities. However, over time it might be the case that dealing with social issues would require underpinning these activities with relevant research, especially when the foundation plans to expand its activities. In that sense, and taking into account the underdeveloped charitable foundation sector in Austria, this would again contribute to an explanation why research does not yet play a prominent role within this sector.
5 Conclusions

5.1 Main conclusions
Overall, we can conclude that research and innovation activities are among the most popular reasons for funding by philanthropic foundations in Austria. However, this finding needs to be put into perspective in two ways. Firstly, our empirical data show that 40% of the responding foundations stated research and innovation in their deeds, but are currently not active in this field. Secondly, our analysis demonstrates that the majority of Austrian foundations funding research and innovation are quite small, both in terms of expenditure and staff members. These results need to be interpreted against the backdrop of the Austrian legal framework for foundations, which in the case of private foundations has not been primarily designed for philanthropic purposes.

The small size of the average Austrian research and innovation foundation has a number of side effects: the smaller the foundations are, the fewer the partnerships with other organisations. Moreover, the more they are active only on a regional and national level, the fewer staff members they have. However, despite their small size, most foundations are convinced that their contribution to society is important, mostly on the level of engaging in activities complementary to the State and acting as beacons for other organisations.

Furthermore, our results show that out of the total income of the responding foundations, almost 70% stems from government sources. This finding is of great relevance, as it highlights that foundations supporting R&I are often neither receiving nor providing private philanthropic money, but are rather an instrument for distributing government money, further confirming the important role of the public sector concerning R&I funding in Austria.

5.2 The strengths and weaknesses of the R&I foundation sector in Austria
When attempting to characterise Austrian foundations active in R&I, we are confronted with a relatively young sector (where the majority of foundations were established within the last three decades), which is rather dynamic and has the potential to grow, albeit from a generally low level. This is reflected both in the results of our quantitative survey, in which a quarter of the foundations stated that they want to increase their expenditure in the upcoming year, and in the interviews, in which the foundations actively spoke of their desire to grow and to find other organisations to cooperate with. Additionally, the foundations highlighted the stability that is inherent in foundations, allowing them to be active over a very long period of time. That they can maintain their stability is at least partly due to the conservative investment policies of most foundations in Austria. Overall, however, the potential within the foundation sector is huge; all the private foundations hold around EUR 99 billion in assets. So far this potential is mostly untapped with regard to philanthropic activities.
The fact that only a minority of foundations are active in terms of philanthropic purposes in general and R&I specifically, is (at least partly) due to the specific legal background. The small size of most foundations in Austria prevents them from becoming active on a larger scale. This goes hand-in-hand with the little communication between foundations and other potential cooperating partners. In fact, most foundations are not knowledgeable about other research and innovation foundations. Also, beyond R&I there is little networking taking place between charitable foundations in Austria, and up to now there are no umbrella organisations in place that could help these organisations come together. In fact, most foundations do not present their activities to the general public, and often do not even have a homepage, preventing them from acting as role models for other organisations. Hence, an identity for the philanthropic foundation sector is largely missing.

On an external level, we see a strong consensus that the small size of the Austrian charitable foundation sector is at least partly due to the rather complex, as well as discouraging, legal framework for foundations and the tax treatment that disadvantages foundations vis-à-vis other nonprofit legal entities. Private foundations, the predominant legal form for R&I foundations today, are a rather expensive vehicle. Given the small size of foundations, the minimum capital requirement of EUR 70 000, as well as the ongoing costs for operating a private foundation, do not seem to be attractive for private persons or nonprofit organisations to form a private foundation for their own charitable operations and activities. Requirements stemming from the Austrian Tax Code (BAO), forcing private foundations to act directly instead of being able to give financial contributions and enjoy tax privileges for their charitable actions, is limiting and hinders the potential of private foundations to be used as vehicles for charitable purposes. Moreover, the federal and provincial public benefit foundations are a rather outdated legal entity.

5.3 Recommendations

Taking into account the political rationale when introducing the law for private foundations and pointing to the number of foundations set up since 1994, it can be argued that this introduction has been a kind of success story, and its economic policy goals seem to have been achieved, as is often claimed by experts in the field. Over 3 000 private foundations were established within twenty years and an estimated EUR 100 billion in assets underlie this argument. However, as outlined in this report, the law for private foundations did not intend to foster private contributions for the public good. Furthermore, the existing philanthropic legal forms in the foundation sector did not gain any significant importance during this time period, neither as an instrument for private philanthropy, nor as an organisational form in the Austrian nonprofit sector.

The future of a respective charitable foundation sector and its potential impact on civil society in general and supporting research and innovation in particular will strongly depend on the political will and a respective legal framework aimed at fostering private contributions for societal issues. Additionally, the characteristics of the current legal forms will influence future development.

To be more specific and in line with the findings in the interviews we can formulate two interrelated recommendations with regard to the legal and tax regulations:
• The establishment of a specific legal status for foundations that encourages the pursuit of philanthropic purposes or reform of the current foundation laws, in order to create incentives for existing foundations to invest in philanthropic purposes. While Austrian Law provides two legal forms that are specifically tailored for philanthropic foundations, the so-called provincial and federal public benefit foundations, reform to the Private Foundation Law and the Austrian tax code with respect to incentives for philanthropic engagement seems advisable.

• Broader tax exemptions for foundations that give to philanthropic purposes, including exemptions from the Capital Gains Tax (KESt). This is especially relevant for grantmaking foundations, as under the current tax law these foundations have to pay Capital Gains Tax once they are not directly (but through other organisations) giving to philanthropic purposes.

Changes in the legal and tax regulations can be regarded as a time-sensitive issue. Currently, the first generation of founders (since the introduction of private foundations) is mostly still alive and directly or indirectly in a position to decide together on how the initially laid-down purposes are now put into action. However, the question remains as to how foundations will be governed once their original founders have passed away. As the board members are legally bound to the purpose(s) of the foundation it remains unclear whether the board is in a position to make similar entrepreneurial decisions. This also implies that if there are no charitable purposes laid down in the deeds of foundation the respective boards cannot make up for this later on. Changes in the legal and tax regulations could also act as incentives for a more philanthropic engagement among the existing foundations or future philanthropists and could function as a symbol that the State appreciates philanthropic engagement, which in turn could encourage the development of a respective philanthropic culture among Austrian citizens.
6 References


