Germany Country Report

EUFORI Study

European Foundations for Research and Innovation

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1 Contextual Background

1.1 Historical background

In Germany, the philanthropic tradition is very strong. In particular, the legal form of foundations has been used for nearly a thousand years to conserve private and especially parochial engagement for the common good. The principle of subsidiarity that stimulates initiatives on a sub-State level became dominant, not least because of the religious and charitable purposes such as hospitals or orphanages that early church foundations pursued, and thus private initiatives became a central part of the welfare production regime. By means of this vehicle, private wealth is permanently dedicated to a (mostly) public benefit purpose defined by the donor.

In the 19th century, this arrangement between the institutional realms of the State, the nonprofit sector and the market became institutionalised in the German system of social benefits provision. In particular, the principle of subsidiarity which structures the cooperation between the different social layers is of utmost importance to understanding the third sector structure in Germany. Only if the lower and more communal societal level cannot fulfill a task (anymore), the next higher or more central level is obliged to step in.

We can distinguish three periods which have been important for the German foundation landscape. First, in the very early (medieval) period, foundations were established mainly in the fields of religious, charitable and health purposes. However, some of the very early foundations already dealt with educational issues as, for example, some of the early universities like the one in Frankfurt still own foundation assets from these times. Thus, the foundations of Halepaghen or the Fugger family were active in this field and provided scholarships.

Second, in the period between roughly 1840 and 1945, the foundation sector grew only slowly on average. In particular, more and more private foundations were founded in the wake of industrialisation and due to the growing accumulation of private wealth. The more modern understanding of foundations has its roots in 19th century legislation, when the status of privately funded foundations became more precisely defined legally. During this period, the foundation sector suffered direly from two periods of hyperinflation, Nazi prosecution and Communism, and was destroyed, with only very few remnants surviving WWII. Third, the period after WWII, and especially after 1980, the sector experienced unprecedented growth. That was the time when the generation that re-built the German economic system after WWII reached the end of its lifetime and handed a part of its wealth back to society. During this period, the vast majority of today’s foundations in Germany were established.

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1 For the following see Merai (2009: 37)
The historic tradition of foundations in the field of research and innovation is as long as the history of foundations itself. From the beginning, foundations have funded educational and scientific purposes. But only in the wake of WWII did the system of foundation-driven research and innovation become institutionalised in its modern form.

The oldest and most widespread form of promoting research through foundations’ activities is the granting of scholarships and the funding of temporally limited research projects, as well as introducing new forms of research funding. Later different ways were introduced to engage in the field of research such as funding whole universities, single institutions within universities, other infrastructural programs, single professorships or private thinktanks.

There are no data that depict the historic development of the number of R&I foundations in detail. But the modern system of interconnections between the public, private and philanthropic funding of research and innovation (as shown below) was developed no earlier than the 1950s.

In particular, the large and central players such as the Fritz Thyssen Foundation (1959), the Volkswagen Foundation (1961), the Robert Bosch Stiftung (1964) etc. were established from the late 1950s to the beginning of the 1960s; at the end of the 20th century and the first decade of the new millennium there was a drastic increase in foundation establishments, which seem to abate somewhat after 2010. After the major players were established, the number of foundations engaged in R&I increased in parallel with the general number of foundations. But since very large endowments are still not very frequent, most of the younger foundations are much smaller in terms of assets and expenditure than the ‘big fish’ that are well institutionalised and an integral part of the German system of research funding. [2]

Figure 1: Number of foundation formed

<table>
<thead>
<tr>
<th>Period</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>before 1600</td>
<td>6</td>
</tr>
<tr>
<td>1607-1700</td>
<td>1</td>
</tr>
<tr>
<td>1701-1800</td>
<td>4</td>
</tr>
<tr>
<td>1801-1900</td>
<td>45</td>
</tr>
<tr>
<td>1901-2000</td>
<td>2243</td>
</tr>
<tr>
<td>2001-2013</td>
<td>2017</td>
</tr>
</tbody>
</table>

[3]  Association of German Foundations (Bundesverband Deutscher Stiftungen)
Looking at formation dates it becomes evident that the bulk of foundations (2,243) were set up between 1901 and 2000. However, only slightly fewer organisations (2,017) were set up in the comparatively short period from 2001-2013. This gives a strong idea of the dynamic increase in the number of research foundations in the last 13 years. Concerning the dates of their formation, for 109 organisations in the ‘population’ no information was available.

1.2 The legal and fiscal framework
In Germany, the legal definition of the organisational form ‘foundation’ is not distinct in the Civil Code. Rather it consists of a set of different legal forms, such as the dependent / independent foundation under civil law, public benefit foundations, private benefit foundations, corporate foundations, and gGmbH, a foundation with limited liability or a foundation association, which might be dealt with under private, public or church law. [4]

The most common legal form is the ‘Selbständige Stiftung’ (an independent foundation under civil law). This is the classical form of an endowment, which is funded to pursue a specific purpose over a long time. This form makes up the largest part of the cs. 20150 foundations in 2013. [5] Despite the lack of a comprehensive legal definition, §§ 80 ff. of the German Civil Code (BGB) governs the basic aspects of this legal form. This is complemented by the central Civil Code by individual State (Länder) laws.

More or less the same organisational challenges apply to all legal forms. These are questions of establishment, regulation and tax treatment. These issues are regulated according to the different legal forms in different sections of organisational and corporate (civil) law with only a very limited body of common regulation.

For the legally responsible foundations, §§ 80-88 BGB governs the main aspects of organisational law, and aspects of supervision and regulation are specified in the laws of the Länder and in terms of taxation, the ‘Abgabenordnung’ (§§ 51-68) is central as it defines purposes that are regarded as being of public benefit, and which in turn are tax exempt. In particular, public benefit Foundations are exempt from several forms of taxation. Income tax is in this concern the most important tax. [6] Furthermore, inheritance tax and value added tax are in parts not applicable to foundations. Foundations in Germany are permitted to take part in economic activities as non-mission related activities if the profits are used for the foundations’ purpose and do not exceed EUR 35 000. [7]

1.3 The foundation landscape
The Bundesverband Deutscher Stiftungen counted 20,150 foundations in 2013. In terms of assets and expenditure, the foundation sector is highly skewed towards some very large organisations. The 10 biggest foundations incorporate nearly EUR 650 million of expenditure and more than EUR 27 billion of assets. It is important to note that the estimation of the declaration of assets is not standardised. Therefore, the real amount of foundations’ assets is probably higher.

For the purpose of this study, we should distinguish between several types of foundations:

- Grantmaking – operative – both
- Research funding as a single issue – one issue among others
- Open – more issue specific funding

Foundations can either be grantmaking, operating \[8\] or both. In contrast to associations, until 2001, the establishment of foundations required the formal consent of the relevant ‘Stiftungsbehoerde’ as a foundation authority. This is known as the concession system, whereby the State grants a foundation the right to establish itself for a set purpose, given a specified and sufficient endowment. The concession system has been controversial since its development in the late 19th century, and, currently under legislative review, is most likely to be abolished. The initial purpose of the system was twofold: to avoid the creation of unviable foundations, and to exercise some political control over their purposes and operations —at least until the middle of the 20th century. A German peculiarity are ‘political foundations,’ which form a kind of legal roof for the educational and international activities of political parties. With the exception of the Social Democrat Friedrich-Ebert-Foundation (created in 1925), they are a product of post-WWII to assist political parties in creating a democratic culture of political debate and participation in Germany. Even though they are called foundations, they are associations in terms of legal form (except the Friedrich Naumann Foundation), mainly financed by public funds, and have no significant endowment at their disposal.

In addition to this basic differentiation, foundations could be sorted by the way they pursue their R&I goals. This could be one among other foundation purposes, or the single issue the foundation is working on: in a non-weighted chart the Bundesverband Deutscher Stiftungen listed 3,890 German foundations focusing on R&I as their foundation purpose; this accounts for 12.6%. \[9\] According to these data, R&I ranks fifth among the possible foundation purposes. First place goes to social purposes, followed by education and culture.

As most R&I promoting foundations are independent organisations, there exists no German umbrella organisation or advocacy group. However, within the Stifterverband there is a working group entitled ‘science and research.’ In its annual meeting the members, together with representatives from research

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8 The Bundesverband Deutscher Stiftungen counts 61 % grantmaking, 19 % operative and 20 % both of all foundations. See: Bundesverband Deutscher Stiftungen (2011: 109).

funding foundations, discuss actual topics and issues. In 2014 the working group published a draft on ‘Principles of good promoting practices for research funding foundations.’ [10]

1.4 Research/innovation funding in Germany [11]

The system of R&I funding in Germany is rather complex. This is due to the federal structure of public bodies in Germany in addition to the manifold connections between the public, private and quasi-public players in this field. This results in the rather complex and interwoven structure of the research and innovation system in Germany.

Figure 2: The system of R&I funding in Germany


The main arenas of R&I activities are universities, universities of applied sciences, other public or quasi-public institutions (particularly the Max Planck Society for the Advancement of Science, the Helmholtz Association of German Research Centres, the Leibniz Association and the Fraunhofer Society) and business institutions. The latter concentrate mostly on applied research and development.

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11 See: Lengwiler (2010).
There are complementary structures of institutional and project-related funding that involve the central government level (the Federal Ministry of Education and Research, the Federal Ministry for Economic Affairs and Energy, as well as the Ministry of Defense), as well as the level of the Länder, businesses and other private players (such as foundations).

Germany approximates its annual spending on R&I with the goal of 3% of the GDP. The total sum spent on R&I in the last year was nearly $US 100 billion. The table below compares German R&I expenditure with other countries, also showing where the money comes from and who uses it.

**Table 1: Gross domestic expenditure on R&D by financing and performing sector for selected OECD-countries in 2011** [12]

<table>
<thead>
<tr>
<th>Country</th>
<th>Total 2)</th>
<th>% of GDP</th>
<th>R&amp;D expenditure</th>
<th>Financed (%)</th>
<th>Research done (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Economy</td>
<td>State</td>
<td>Other domestic and international sources</td>
</tr>
<tr>
<td>Germany</td>
<td>96,972</td>
<td>2.89</td>
<td>65.6</td>
<td>29.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Finland</td>
<td>7,898</td>
<td>3.8</td>
<td>67</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>France</td>
<td>53,311</td>
<td>2.25</td>
<td>55</td>
<td>35.4</td>
<td>9.6</td>
</tr>
<tr>
<td>Italy</td>
<td>25,781</td>
<td>1.25</td>
<td>45.1</td>
<td>41.9</td>
<td>13</td>
</tr>
<tr>
<td>Sweden</td>
<td>13,366</td>
<td>3.39</td>
<td>57.3</td>
<td>27.7</td>
<td>15</td>
</tr>
<tr>
<td>UK</td>
<td>39,217</td>
<td>1.78</td>
<td>46</td>
<td>30.5</td>
<td>23.7</td>
</tr>
<tr>
<td>Japan</td>
<td>148,389</td>
<td>3.38</td>
<td>77</td>
<td>16.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Canada</td>
<td>24,757</td>
<td>1.74</td>
<td>48</td>
<td>34.8</td>
<td>17.2</td>
</tr>
<tr>
<td>Korea</td>
<td>58,380</td>
<td>4.04</td>
<td>73.7</td>
<td>24.9</td>
<td>1.4</td>
</tr>
<tr>
<td>USA</td>
<td>42,143</td>
<td>2.76</td>
<td>58.6</td>
<td>31.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>

By far the largest share of R&I funding is raised by businesses (65.6% in 2011), followed by public funding (29.8%) and other sources, which include foreign funding and other domestic private sources such as foundations (4.5%).

The overall amount of funding that foundations contribute to R&I is about 1% of total R&I spending, and therewith not very impressive. Nevertheless, foundations are considered to fulfill some functions of major importance in the German R&I system. These are complementarity and innovation.

As will be discussed below in more detail, foundations achieve an impact on R&I funding above and beyond their expected influence in relation to their financial contribution.

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2 Data Collection

2.1 Identification of foundations supporting R&I

Reliable, quantitative information needed to map the German foundation sector in the field of research and innovation is scarce, as no compulsory registration for foundations exists. The shortage of information affects the formation and growth of foundations, not only in sheer numbers, but also in terms of research funding. Therefore, an improvement in the quantitative knowledge base about foundations is an important goal. To this aim we collaborated with the Association of German Foundations (Bundesverband Deutscher Stiftungen) to benefit from their register of German research foundations. The Association publishes regularly about the size and development of foundations in Germany, and is thus a natural partner in mapping research foundations. However, as the Association also relies on surveys drawn from their database for their own publications, there was some rivalry between the EUFORI survey and their own survey. To avoid disrupting the Association’s survey we agreed on a single posting of the EUFORI survey, i.e. it was not possible to send out the short version survey to increase the response rate. Nevertheless, the possibility of benefitting from the Association’s huge address pool of the relevant foundations outweighed these possible disadvantages.

A principal problem of drawing a sample of research foundations in Germany is that the underlying population is unknown. This makes it difficult to assign weights to certain observations and to draw a ‘representative’ inference from the descriptive sample statistics. Using the database of the Association of German Foundations we tried to approximate what could define a ‘population’ of foundations operating in the field of innovation and research. To this end, all the foundations in the database of the Association stored with an email address were browsed according to the following criteria:

- Foundations with the following missions: science and research, social science and the humanities, medicine or natural science.
- All foundations with the keywords ‘forsch’ (word component of the German word ‘Forschung,’ i.e. research), ‘innov’ (word component of the German word ‘Innovation,’ analogous to innovation in English) and ‘wissensch’ (word component of the German word ‘Wissenschaft,’ i.e. science) in the mission of the foundation.
- All the foundations that indicated either a sponsorship of scientific institutions or individual scientists.

This search process resulted in a (presumed) population of 4,425 foundations, to whom the survey was sent out. Based on the information in the Association’s database we were able to get information about (parts) of our population of foundations active in research and innovation concerning their legal status, their formation, their assets, their expenditure and their principal purpose.
2.2 The survey

As mentioned earlier, knowledge about the market of German research foundations is limited due to a lack of data. Unfortunately, with the current survey the situation will only get slightly better as it had a very low response rate. Overall, only 214 foundations out of the 4,425 organisations in the (presumed) population provided answers to the questionnaire. Furthermore, the response rate varied considerably between different questions. In sum, our target accuracy was about 65%, which means that slightly more than one third of the organisations indicated that they are neither engaged in research nor in innovation. Concerning our identification of foundations supporting R&I (2.1), this suggests that the definition of ‘population’ was too wide, and that most likely fewer than the 4,425 foundations are engaged in research and innovation in Germany. However, compared to the sample from a previous study about research foundations, the FOREMAP (FOundations REsearch and MAPping) study in 2009, this is a huge increase. For the FOREMAP study the sample consisted of only 86 foundations, out of which 33 foundations provided answers to their survey.

In order to complete the picture of the financial situation of R&I foundations, we manually included the publically available financial data of the following foundations:

- Robert Bosch Stiftung
- VolkswagenStiftung
- Baden-Württemberg Stiftung
- Stiftung Mercator
- Else Kröner-Fresenius-Stiftung
- Dietmar Hopp Stiftung
- Klaus Tschira Stiftung
- Deutsche Bundesstiftung Umwelt
- Software AG-Stiftung
- Gemeinnützige Hertie-Stiftung
- Bertelsmann Stiftung
- Körber-Stiftung
- Fritz Thyssen Stiftung
- Stifterverband für die Deutsche Wissenschaft

We indicate any amendments to the survey data in the respective tables.

Furthermore, using the register information from the Association of German Foundations allows us to give some more general background information about the research foundations to whom the survey was sent. We present this information in the following table.

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13 Answers to all questions reflect information in the year 2012.
The distribution of financial assets shows that over two thirds of the foundations have a wealth of less than EUR 1 million. Of the remaining foundations, 24.2 % possess financial assets of between EUR 1 million and EUR 10 million, 6.9 % between EUR 10 million and EUR 100 million, and only 1.72 % more than EUR 100 million.

Table 2: Financial assets – population information

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Observations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to EUR 100 000</td>
<td>623</td>
<td>22.86</td>
</tr>
<tr>
<td>Up to EUR 1 000 000</td>
<td>1208</td>
<td>44.33</td>
</tr>
<tr>
<td>Up to EUR 10 000 000</td>
<td>659</td>
<td>24.18</td>
</tr>
<tr>
<td>Up to EUR 100 000 000</td>
<td>188</td>
<td>6.90</td>
</tr>
<tr>
<td>More than EUR 100 000 000</td>
<td>47</td>
<td>1.72</td>
</tr>
<tr>
<td>Total:</td>
<td>2 725</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Association of German Foundations; information for foundations in general.

The distribution of financial assets shows that over two thirds of the foundations have a wealth of less than EUR 1 million. Of the remaining foundations, 24.2 % possess financial assets of between EUR 1 million and EUR 10 million, 6.9 % between EUR 10 million and EUR 100 million, and only 1.72 % more than EUR 100 million.

Table 3: Expenditure – population information

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Observations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to EUR 10 000</td>
<td>500</td>
<td>24.32</td>
</tr>
<tr>
<td>Up to EUR 100 000</td>
<td>794</td>
<td>38.62</td>
</tr>
<tr>
<td>Up to EUR 1 000 000</td>
<td>449</td>
<td>21.84</td>
</tr>
<tr>
<td>Up to EUR 10 000 000</td>
<td>224</td>
<td>10.89</td>
</tr>
<tr>
<td>Up to EUR 100 000 000</td>
<td>74</td>
<td>3.60</td>
</tr>
<tr>
<td>More than EUR 100 000 000</td>
<td>15</td>
<td>0.73</td>
</tr>
<tr>
<td>Total:</td>
<td>2 056</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Association of German Foundations; information for foundations in general.

This picture is consequently also mirrored in the expenditure of the research foundations. Nearly 85 % of all the research foundations have an expenditure of less than EUR 1 million, 10.9 % less than EUR 10 million, 3.6 % less than EUR 100 million, and less than 1 % of the foundations spent more than EUR 100 million. Missing values for the financial assets of the sample apply to 1 700 organisations, and to 2 056 organisations for the expenditure data. The picture that emerges from the data on financial assets and expenditure thus reflects the well-known structure of the German research foundation sector, which is dominated by several big players and a large number of small and presumably often very specialised foundations. This latter assumption can be backed up by the number of principal purposes under which the foundations are classified in the database. The modal value, i.e. the most often observed value, is a single purpose; that is, 32.6 % of all foundations serve a single and particular purpose.
<table>
<thead>
<tr>
<th>No. of principal purposes</th>
<th>Observations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1275</td>
<td>32.62</td>
</tr>
<tr>
<td>2</td>
<td>986</td>
<td>25.22</td>
</tr>
<tr>
<td>3</td>
<td>678</td>
<td>18.73</td>
</tr>
<tr>
<td>4</td>
<td>393</td>
<td>10.50</td>
</tr>
<tr>
<td>5</td>
<td>266</td>
<td>6.80</td>
</tr>
<tr>
<td>6</td>
<td>310</td>
<td>7.93</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3909</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
3 Results

3.1 Types of foundation
Primarily, it is important to know which types of foundations answered the survey. This information is revealed in Figure 3.

![Figure 3: Types of foundation; research and/or innovation](image)
As a percentage of the total number of foundations (N=152)

Taking a look at the purpose of those foundations that answered the survey, Figure 4 reveals that 55 % are exclusively engaged (that is 100 % of their expenditure) in research and innovation. 28 % are mainly focused on research and innovation (i.e., between 50 % and 100 % of their total expenditure), whereas 17 % indicated that mainly other purposes are their target (i.e. less than 50 % of their expenditure went to research and innovation).

![Figure 4: Types of foundations by purpose](image)
As a percentage of total number of foundations (N=88)
Concerning the foundation type, the vast majority of foundations of the German sample is grantmaking (58%). Operating foundations, i.e. those that use their expenditure to achieve their goals themselves, make up 26%, or a minority of the foundations. Additionally, only 16% of the foundations in the sample are both grantmaking and operating.

**Figure 5: Types of foundations by grantmaking versus operating**
As a percentage of total number of foundations (N=147)

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Figure 6 examines when the year of establishment of the different foundations was. The figure shows that most foundations which are active today were established in the 1990s (31 organisations) or the in the 2000s (52 organisations).

**Figure 6: Types of foundations according to year of establishment**
Number of foundations by decade (N=127)

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### 3.2 Origins of funds

A first important question concerning the origins of funds concerns the financial founder. This question was answered by 153 foundations (see Figure 7). The bulk of foundations, with 59%, are funded by private individuals and families. The second largest group of founders is formed by for-profit corporations, with 14%. The public sector as well as other nonprofit organisations also represent a considerable share of...
founders. In contrast, universities, research institutes and hospitals do not constitute, at least in terms of numbers, a big share of founders in Germany.

**Figure 7: Financial founders**
As a percentage of the total number of foundations, multiple answers possible (N=153)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private individual(s)/family</td>
<td>59%</td>
</tr>
<tr>
<td>For profit-corporation</td>
<td>14%</td>
</tr>
<tr>
<td>Public sector (government, national or local)</td>
<td>11%</td>
</tr>
<tr>
<td>Other non-profit organisations (association, etc.)</td>
<td>8%</td>
</tr>
<tr>
<td>Other, please specify</td>
<td>4%</td>
</tr>
<tr>
<td>University</td>
<td>1%</td>
</tr>
<tr>
<td>Hospital</td>
<td>1%</td>
</tr>
</tbody>
</table>

Taking a look at the different income categories to which the foundations in the German sample belong, it becomes evident that the majority of foundations (52 %) are rather small, with a total income of below EUR 100 000 (28 %) or below EUR 1 000 000 (24 %). The income categories of between EUR 1m and 10m, as well as EUR 10m and 100m, are relatively equally represented with 6 % and 9 %. 3 % of German foundations control over more than EUR 100m. This question is most probably a sensitive issue for many foundations as revealed by the fact that roughly one third of the foundations (30 %) did not want to answer this question.

**Figure 8: Total Income by categories in Euros, 2012**
As a percentage of total number of foundations (N=126)

- EUR 0-100 000: 28%
- EUR 100 000-1 000 000: 30%
- EUR 1 000 000-10 000 000: 9%
- EUR 10 000 000-100 000 000: 6%
- EUR 100 000 000 or more: 3%
- Don't want to answer this question: 24%

125 foundations provided answers concerning the question of sources of the foundations’ total income in 2012. Most German foundations (92 %) indicated that their main source of income was from endowments such as interests, dividends and capital gains. The fact that donations were an important source of total income for foundations was revealed by 34 % of the foundations stating that they obtained donations from
individuals and for-profit corporations (17 %). The remaining sources are of relatively similar importance and range between 10 % (service fees, sales etc.) and 14 % (income from other sources).

**Figure 9: Sources of Income**

As a percentage of total number of foundations (N=125)

![Graph showing sources of income](image)

Table 5 summarises information from those 88 foundations that revealed their income. This information mirrors the results from Figure 8 as it shows a relatively moderate median income of roughly EUR 212 000, while the mean, especially due to the special sampling of the big German research foundations, is considerably higher, with EUR 11.5 million. In total, the 88 foundations in the German sample control slightly over EUR 1 billion.

<table>
<thead>
<tr>
<th>Statistics income [14]</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of foundations</td>
<td>88</td>
</tr>
<tr>
<td>Mean in Euros</td>
<td>11 454 092</td>
</tr>
<tr>
<td>Median in Euros</td>
<td>212 794</td>
</tr>
<tr>
<td>Total income</td>
<td>1 007 960 114</td>
</tr>
</tbody>
</table>

A renewed look at the sources of income for those foundations indicateing a change in their income shift the importance of their income sources in comparison with Figure 9. In this subsample we can see that income from an endowment (33 %) is as important as income from service fees and sales (33 %), and almost equal to income from the government (30 %). Further income sources play for these foundations only a minor role.
A final question of interest concerning the origins of funds is related to the foundations’ financial assets. 127 foundations responded to the question concerning their financial assets in 2012. As can be seen from Figure 11 the question of assets is again sensitive for many foundations in our sample, as nearly one third did not want to answer this question. Similar to the income categories, the asset categories also reflect to a certain extent results from small and medium foundations. Nearly half of the foundations answering this question (46 %) control assets worth less than EUR 10 million. On the other hand, 14 % of the foundations control more than EUR 100 million, a figure again affected by the inclusion of the big German research foundations.

Putting together those 91 foundations that provided concrete values of their assets (see the table below) we derive a median value of assets of EUR 2.8 million and a mean value of EUR 387.8 million. In total, the assets of these foundations are worth more than EUR 35.2 billion.
The distribution of assets shows that foundations mostly invest long term in both securities (74 %) and fixed assets (19 %). Other forms of assets (4 %) and current assets (3 %) play only a minor role related to the amount of total known assets.

### Figure 12: Distribution of assets
As a percentage of total (known) assets

- Current assets (N=46): 0%
- Long term investments in securities (N=50): 4%
- Long term investments in fixed assets (N=19): 19%
- Long term investments in special funds (N=2): 3%
- Other (N=8): 74%

### 3.3 Expenditure

Similar to the data concerning income and financial assets, the total expenditure picture is also dominated by small foundations. Out of the 116 foundations answering this question 59 % fall into the two lowest expenditure categories of below EUR 100 000 (35 %) and between EUR 100 000 and 1 million (24 %). The EUR 1 million to 10 million category includes 6 % of the foundations, and the EUR 10 million to 100 million category 17 %. In our sample, 1 % of the foundations spent more than EUR 100 million in 2012. In contrast to income and assets the non-response rate dropped to 17 %.

### Figure 13: Total expenditure according to category in Euros, 2012
As a percentage of the total number of foundations (N=116)

- EUR 0-100 000: 35%
- EUR 100 000-1 000 000: 17%
- EUR 1 000 000-10 000 000: 17%
- EUR 10.000.000-100.000.000: 6%
- EUR 100 000 000 or more: 1%
- Don’t want to answer this question: 1%
96 foundations provided answers concerning their total expenditure. From these answers we can infer that the mean value of expenditure for these foundations is above EUR 9 million, while the median is considerably lower at 187 500. In total, the foundations answering this question spent more than EUR 865 million.

From the total known expenditure, 83 % goes towards research and only 1 % goes towards innovation. In our sample, 16 % is directed towards other purposes. This information was derived from the 89 foundations answering this question.

**Figure 14: Distribution of total expenditure according to research, innovation and/or other purposes**

As a percentage of total known expenditure (N=89)

Table 5 shows the corresponding absolute values from Figure 14, and thus provides an additional overview of the distribution of expenditure of German research foundations. The total amount spent on research adds up to more than EUR 574 million, while the foundations spent nearly EUR 7 million on innovation. Other purposes received around EUR 107 million, while we were unable to allocate a sum of EUR 176 million to any of the fields.
Taking a closer look at the distribution of expenditure on research as derived from our data, we see in Table 6 that nearly EUR 40 million goes into direct research, while expenditure of more than EUR 18 million is research related. In total, the foundations in our sample spent over EUR 73 million on research.

Concerning the distribution between basic and applied research, Figure 15 shows that most of the foundations are engaged in applied research (84 %) while slightly more than a half of the foundations (58 %) support basic research. For those foundations that provided us with information on their expenditure, these categories add up to nearly EUR 52 million in the case of basic research and to nearly EUR 17 million in the case of applied research. Thus, while numerically more foundations support applied research, the sum going to funding is considerably higher for basic research.

**Figure 15: Distribution of expenditure on research; basic vs applied**
As a percentage of the total number of foundations (N=106)
### Table 7: Distribution of expenditure on research; basic vs applied

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Euros</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic research</td>
<td>51,996,649</td>
<td>71%</td>
</tr>
<tr>
<td>Applied research</td>
<td>16,950,622</td>
<td>23%</td>
</tr>
<tr>
<td>Unknown</td>
<td>4,356,800</td>
<td>6%</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>73,294,071</td>
<td>100%</td>
</tr>
</tbody>
</table>

In Figure 16 we provide some evidence on how the foundations compared their research and innovation expenditure to the previous accounting year (2011). For most foundations (61%) their expenditure remained relatively stable compared to 2011. On the contrary, 16% indicated an increase in expenditure, while 13% decreased their expenditure. 9% of the foundations had just started in 2012, and 1% of the foundations were discontinued.

**Figure 16: Changes in expenditures to research and innovation compared to previous year**
As a percentage of total number of foundations (N=104)

As regards the expectations for the upcoming year, 64% of the foundations expected their expenditure remain stable, while 18% of the foundations expected both a decline and an increase in their expenditure on research and innovation.

**Figure 17: Changes in expenditures to research and innovation, expectations for next year**
As a percentage of total number of foundations (N=105)
3.4 Focus of support

A topic that naturally follows as the focus of attention after investigating expenditure is the various benefits from that expenditure. In the German case, the beneficiaries (see Figure 18) of the foundations are in the first place public higher education institutions (36 %) and in the second place individuals (30 %). The nonprofit sector (14%), research institutes (13%) and the government sector (7%) follow as beneficiaries. Private higher education institutions (2%) and the business sector (1%) play only a minor role.

Figure 18: Beneficiaries
As a percentage of total number of foundations, multiple answers possible (N=68)

- Public HEIs: 36%
- Individuals: 30%
- Non-profit sector: 14%
- Research Institutes: 13%
- Government sector: 7%
- Private HEIs: 2%
- Business sector: 1%

Figure 19 reveals the areas support from the research foundations. Many foundations support natural science (38%), the humanities (33%), social and behavioural science (31%) and medical science (30%). Support for the field of engineering and technology (25%) is slightly less. The two fields with not much support are agricultural science (5%) and other sciences (13%).

Figure 19: Thematic Research Fields
As a percentage of total number of foundations, multiple answers possible (N=104)

- Natural Sciences: 38%
- Engineering and Technology: 25%
- Medical Sciences: 30%
- Agricultural Sciences: 5%
- Social and Behavioral Sciences: 31%
- Humanities: 33%
- Other: 13%

Table 8 shows the amount of money corresponding to each field of research. In our sample, natural science (EUR 15.5 million) and the humanities (EUR 12 million) received the bulk of the money. All the other fields range between EUR 1 million and 2 million, while unfortunately we were unable to allocate the biggest share of expenditure (EUR 39.5 million).
Table 8: Expenditure for research fields

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural science</td>
<td>15 576 945</td>
</tr>
<tr>
<td>Engineering and technology</td>
<td>1 981 843</td>
</tr>
<tr>
<td>Medical science</td>
<td>1 815 387</td>
</tr>
<tr>
<td>Agricultural science</td>
<td>0</td>
</tr>
<tr>
<td>Social and behavioural sciences</td>
<td>1 115 622</td>
</tr>
<tr>
<td>Humanities</td>
<td>12 168 691</td>
</tr>
<tr>
<td>Other</td>
<td>1 090 610</td>
</tr>
<tr>
<td>Unknown</td>
<td>39 544 973</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td><strong>73 294 071</strong></td>
</tr>
</tbody>
</table>

Looking at research-related activities pursued by foundations, more than half of them stated that the dissemination of research is an important goal. Infrastructure and equipment (37 %) and research mobility and career development (33 %) also receive substantial support.

**Figure 20: Research related activities**  
As a percentage of total number of foundations, multiple answers possible (N=52)

- Dissemination of Research: 54%
- Infrastructure and Equipment: 37%
- Research Mobility and Career Development: 33%
- Civic Mobilization/Advocacy: 17%
- Science Communication/Education: 15%
- Other: 15%
- Not specified into categories: 12%
- Technology Transfer: 12%

In terms of the distribution of total known expenditure, a large amount goes into research infrastructure and equipment (18 %, EUR 283 000), dissemination of research (17 %, EUR 259 236), as well as research mobility and career development (16 %, EUR 242 900).
Figure 21: Research related activities
As a percentage of total known expenditures to research

Table 9: Expenditure on areas of research

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research mobility and career development</td>
<td>242 900</td>
</tr>
<tr>
<td>Technology transfer</td>
<td>84 000</td>
</tr>
<tr>
<td>Infrastructure and equipment</td>
<td>283 000</td>
</tr>
<tr>
<td>Dissemination of research</td>
<td>259 236</td>
</tr>
<tr>
<td>Science communication/education</td>
<td>10 000</td>
</tr>
<tr>
<td>Civic mobilisation/advocacy</td>
<td>55 000</td>
</tr>
<tr>
<td>Other</td>
<td>4 000</td>
</tr>
<tr>
<td>Unspecified</td>
<td>615 000</td>
</tr>
<tr>
<td>Unknown</td>
<td>71 740 935</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>73 294 071</td>
</tr>
</tbody>
</table>

3.5 Geographical dimensions of activities
A further question of interest concerns the geographical dimensions of the foundations’ activities. This information is displayed in Figure 22. Most foundations support research and/or innovation either at a local/regional level (53%, EUR 41 million) or at a national level (30%, nearly EUR 23 million). Research and/or innovation at an international level (15%, EUR 11.8 million) is less often the geographical focus of support. Support solely at an EU level has the least geographical support, with 2% (EUR 1.5 million).
Figure 22: Geographical focus of support
As a percentage of total (known) expenditures to research and/or innovation (N=92)

![Geographical focus of support chart]

Table 10: Geographical focus of support

<table>
<thead>
<tr>
<th>Geographical level</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local/regional</td>
<td>41 340 495</td>
</tr>
<tr>
<td>National</td>
<td>22 974 421</td>
</tr>
<tr>
<td>European</td>
<td>1 576 138</td>
</tr>
<tr>
<td>International</td>
<td>11 791 485</td>
</tr>
<tr>
<td>Not allocated</td>
<td>2 599 599</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>80 282 138</td>
</tr>
</tbody>
</table>

Despite the relatively little importance of funding directed towards the European level, most foundations advocate certain roles for the European Union. More than half of the foundations advance the view that the EU should contribute to awareness raising about foundations. This is followed by the opinion that the EU should provide a legal framework (44%) and the view that the EU should provide fiscal facilities. Only 8% of the foundations see no specific role for the EU.

Figure 23: Role of the European Union
As a percentage of total number of foundations, multiple answers possible (N=101)

- Contribute to awareness raising about foundations: 53%
- Providing a legal framework: 44%
- Providing fiscal facilities: 40%
- Collaborate with foundations in projects: 38%
- Providing a structure to enhance collaboration: 33%
- Investing in an information infrastructure by databases: 19%
- Evaluate projects from foundations: 9%
- None: 8%
- No opinion: 8%
- Other, please specify: 2%
Finally, the foundations were asked whether they contribute to European integration. 35% of the foundations responded positively to this question, but 29% did not see themselves as contributing to European Integration.

**Figure 24: Contribution to European Integration**
As a percentage of total number of foundations, multiple answers possible (N=102)

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, research issues</td>
<td>35%</td>
</tr>
<tr>
<td>Yes, educational issues</td>
<td>21%</td>
</tr>
<tr>
<td>Yes, cultural issues</td>
<td>17%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>14%</td>
</tr>
<tr>
<td>Yes, social issues</td>
<td>11%</td>
</tr>
<tr>
<td>Yes, other issues</td>
<td>5%</td>
</tr>
</tbody>
</table>

**3.6 Foundations’ operations and practices**

The most common daily practice in the sample of German foundations is to demand evidence of how grants have been spent after funded projects have been completed. This is the case for 81% of all foundations. Only 15% do not ask for this evidence, or do it only rarely. The second most important daily practice is to conduct evaluations to assess whether a grant was successful and why. In contrast, supporting an organisation only once is a daily practice that most foundations do not carry out. A pro-active search for projects is also a daily practice that can never or only rarely be found in most foundations.

**Figure 25: Daily Practice of Grantmaking foundations**
As a percentage of total number of foundations
Being involved in partnerships to develop joint research activities is also not very widespread behaviour. In our sample, 56 % of the foundations stated that they are not in partnerships. The foundations that go into partnership do so most frequent with universities (25 %) and research institutes (25 %). Also of importance are partnerships with foundations (20 %) and with other nonprofits (19 %).

**Figure 26: Partnerships**
As a percentage of foundations, multiple answers possible (N=95)

- Yes, with foundations: 20%
- Yes, with universities: 25%
- Yes, with hospitals: 6%
- Yes, with research institutes: 25%
- Yes, with governments: 4%
- Yes, with other non-profits: 19%
- Yes, with companies: 13%
- Yes, with other: 4%
- No: 56%

The most common motivation to engage in a partnership is pooling expertise (72 %) and increasing impact (65 %). This is followed by the motivation to expand activities (49 %) and to pool money due to a lack of necessary funds (40 %). Of only minor importance are the avoidance of duplication effort (19 %), creating economies of scale (7 %) and increasing legitimacy (7 %). 12 % of the foundations also stated other reasons.

**Figure 27: Motivation Partnership**
As a percentage of foundations, multiple answers possible (N=43)

- Pooling expertise: 72%
- Increasing impact: 65%
- Expanding activities (internationally or otherwise): 49%
- Pooling money for lack of necessary funds: 40%
- Avoiding duplication of effort: 19%
- Other: 12%
- Creating economies of scale: 7%
- Increasing legitimacy: 7%
3.7 Roles and motivations

Finally, in describing their role in the domain of research and innovation, most of the foundations in the German sample see their role as complementary (64 %) and initiating (40 %). This view is also documented as most of the foundations would not describe their role as competitive (78 %) or substituting (48 %).

Figure 27: Role of foundations
As a percentage of total number of foundations by 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>Complementary</td>
<td>9%</td>
<td>23%</td>
<td>64%</td>
<td>3%</td>
</tr>
<tr>
<td>Substituting</td>
<td>48%</td>
<td>25%</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>Initiating</td>
<td>29%</td>
<td>24%</td>
<td>40%</td>
<td>3%</td>
</tr>
<tr>
<td>Competitive</td>
<td>78%</td>
<td>10%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

- Never/Rarely
- Sometimes
- Often/Always
- Don’t know
4 Innovative Examples

In this part of the study, several foundations and their capacity for innovation will be described in detail. We will make use of existing research resources for this qualitative part of the study rather than performing additional interviews. This is due to the fact that two recent surveys dealt comprehensively with the science funding landscape. The most important science funding foundations took part in those studies and were invited to share their experiences and opinions.

These studies are:

- Donsbach, Wolfgang; Brade, Anne-Marie: Forschungsfördernde Stiftungen in der Wahrnehmung ihrer Stakeholder, Dresden, 2013 (research funding foundations from the point of view of their stakeholders).
- Individual reports on three of the four foundations analysed in the Learning from Partners project.

These studies provided in-depth insights into the importance of foundations for the funding of research. They also show what image foundations have as funders of research compared to other funders. In general terms, the image of research-funding foundations is not as innovative as one would expect. Research-funding foundations are regarded as providing funding for projects or individuals, sometimes in specifically defined areas (Donsbach 2013: 54). They are understood as being mainly engaged in social science and the humanities, and not so much in engineering, natural science or medicine (Donsbach 2013: 55). In these disciplines, they are considered as promising partners for the funding of projects (Donsbach 2013: 62). Generally, research-funding foundations are considered as highly renowned organisations and reliable partners that also place a great demand on their applicants (CSI 2012: 11).

The innovative role of research-funding foundations depends on different dates. In the (re-) founding phase of German research funding after WWII, research foundations were more or less equivalent to public funding. Therefore, they had an important impact on the current German institutional culture of research funding. Nowadays, the innovative role of foundations can instead be found in the issues and topics they fund.

Foundations which are depicted in detail in the qualitative part of the study are:

- Stifterverband für die deutsche Wissenschaft
- The Volkswagen Foundation
- Robert Bosch Stiftung
- Stiftung Mercator
- The Fritz Thyssen Foundation
We focus our analysis in particular on the format of the funding the respective foundations provide and evaluate this format also in terms of its capacity for innovation.

**Stifterverband für die deutsche Wissenschaft**

A speciality in Germany is the ‘Stifterverband für die Deutsche Wissenschaft.’

It was founded in 1920, and collected funds that were distributed to the ‘Notgemeinschaft der Deutschen Wissenschaft,’ the predecessor to the German Research Foundation (DFG), which is not only a foundation, but also an association. Currently, about 3,000 donors, such as foundations, companies and private citizens are represented under the umbrella of the Stifterverband (Stifterverband 2014). Until the present day, the Stifterverband has been an important factor on the German academic scene and in particular deals with academic education and teaching, infrastructure and endowed chairs, science policy, the management of universities and so on. Due to its unique structure, the large number of institutions represented, the huge funding figure of EUR 150 million annually and its unbureaucratic procedures, the Stifterverband can definitely be considered an unconventional player in the research funding system of Germany. The Stifterverband wants to set up innovative aspects within its programs, such as ‘fellowships for innovation in higher education teaching’ as well as ‘innovative starts to studies.’ The former aims to encourage fellows at universities to come up with new formats of teaching, e.g. problem-based learning. The second one aims at initiating new approaches to welcoming particularly heterogeneous groups of students at universities.

**The Volkswagen Foundation**

The Volkswagen Foundation is the financially biggest research funding foundation in Germany with an expenditure of EUR 119 million in 2011 (Bundesverband Deutscher Stiftungen 2011). It offers a broad range of possibilities to fund individuals as well as research projects. Funding is granted on the basis of individual applications. Therefore, it belongs to the few science foundations solely functioning as grantmaking (and not operative). Innovation is a pivotal part of the Foundation’s work and is expressed by the funding initiatives that are tendered. Two innovative programs are presented here: one is the Volkswagen Foundation’s funding initiative called ‘Experiment! - in search of bold research ideas.’ The program is innovative and unusual in two regards: first and foremost, radically innovative research projects with indefinite outcomes are supported. Second, their decisions are made faster than in typical application processes. Feedback to a researcher’s submission is provided within three months throughout the year. If it is favourably viewed, this enables a prompt start to the project and the implementation of the research ideas (VolkswagenStiftung 2014a). The second innovative project worth mentioning consists of interdisciplinary projects with innovative solutions, a flexible funding scheme and security for at least five years: this is what characterises the Volkswagen Foundation’s Freigeist fellowship. Junior researchers from all disciplines can apply for funding to pursue projects off the beaten track (VolkswagenStiftung 2014b). One highlight during its more than 50 years of activity is funding the study ‘The limits of growth,’ published by Dennis Meadows et al. in 1972.
Robert Bosch Stiftung GmbH

Robert Bosch Stiftung GmbH with funding of EUR 69 million in 2012 is not the biggest, but the best-known research funding foundation in Germany (Donsbach 2013: 28). Due to its funding history, the foundation has close ties with the Robert Bosch Company, and therefore carries its name. Like Stiftung Mercator, Robert Bosch Stiftung works in both operative and grantmaking areas. Innovation is also a recurring issue in the foundation’s work: within its ‘health and science’ department it offers in particular programs for two beneficiary groups which are less prevalent in the work of other foundations: women and children. AcademiaNet, a web portal including 1,200 profiles of excellent female researchers, stands out in its approach. Moreover, there are certain programs specifically geared towards children, such as ‘The City of Young Scientists and Scholars,’ as well as ‘School Meets Science.’

Stiftung Mercator

Stiftung Mercator also belongs to the biggest private foundations in Germany, with a funding volume amounting to EUR 60 million in 2012. Like Robert Bosch Stiftung, Stiftung Mercator works in both operative and grantmaking areas. The foundation is organised into three competence centres: science and the humanities, international affairs, and education. Additionally, some core areas of activity such as integration, climate change and cultural education are defined. The latter is especially important with regards to innovation. An OECD study supported by Stiftung Mercator showed that cultural education enhances the development of innovative competences (Stiftung Mercator 2013). Moreover, the foundation supports innovative projects in higher education, such as the NRW School of Governance, and a whole research network of universities working on the issue of innovative social action, which means the phenomenon of social entrepreneurship.

The Fritz Thyssen Foundation

According to its statutes, the Fritz Thyssen Foundation concentrates on providing direct support for science and research, with a special focus on young researchers. It was the first private research funding foundation established after WWII. It funds mainly projects and individuals in the core areas of history, language and culture, the State, economics, society and medicine. In 2012, the foundation’s expenditure amounted to EUR 18 million. The foundation’s capacity for innovation was represented in the past by creating new formats: as a structural innovation in the late 1960s, the Fritz Thyssen Foundation supported the so-called ‘Graduiertenkollegs’ ((post-)graduate programs) before they became part of the regular funding schemes by, for example, DFG. As a thematic innovation, the Fritz Thyssen Foundation together with the Volkswagen Foundation set up the joint program ‘Focus on the Humanities,’ which comprised the two components ‘Opus Magnum’ and ‘Dilthey Fellowship,’ and was accompanied by an event program. Additionally, the Fritz Thyssen Foundation actively accompanied and financially supported the funding process of the Centre for Social Investment at Heidelberg University in 2006 and has supported it ever since.
### Table 11: Research foundations and their innovative approaches

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Format of funding</th>
<th>Expenditure in 2012</th>
<th>Innovative projects and programs (selection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stifterverband für die Deutsche Wissenschaft</td>
<td>Special funding actor</td>
<td>EUR 150 million</td>
<td>• Innovative beginning of studies&lt;br&gt;• Fellowships for innovation in higher education teaching</td>
</tr>
<tr>
<td>(registered association)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Volkswagen Foundation</td>
<td>Grantmaking</td>
<td>EUR 119 million (2011)</td>
<td>• Experiment!&lt;br&gt;• Freigeist-Fellowships&lt;br&gt;• Off the beaten track&lt;br&gt;• University of the future</td>
</tr>
<tr>
<td>Robert Bosch Stiftung</td>
<td>Mixed (operative and grantmaking alike)</td>
<td>EUR 69 million</td>
<td>• Innovation concerning a focus on certain focus issues: women and children in science</td>
</tr>
<tr>
<td>Stiftung Mercator</td>
<td>Mixed (operative and grantmaking alike)</td>
<td>EUR 60.4 million</td>
<td>• Innovation concerning a focus on certain issues: core field cultural education&lt;br&gt;• Climate change&lt;br&gt;• International relations&lt;br&gt;• Integration&lt;br&gt;• Funding of innovative schools&lt;br&gt;• Support for research networks on innovation issues</td>
</tr>
<tr>
<td>Fritz Thyssen Stiftung</td>
<td>Grantmaking</td>
<td>EUR 18.10 million</td>
<td>• Focus on the humanities (in cooperation with VolkswagenStiftung)&lt;br&gt;• Graduate college&lt;br&gt;• Support for founding new research entities (CSI)</td>
</tr>
</tbody>
</table>

Source: Own illustration

### 4.1 Newer forms of funding research

There is also a duality consisting of the newer phenomenon of the more maecenatic funding of research, and the methodically peer review-based funding of the more traditional players. Forms of funding that historically have become institutionalised in the variety of German funding schemes could be categorised as follows, according to Rudolf Speth (2010: 396). Two traditional forms of funding can be distinguished: individual funding (e.g. foundation endowed professorships) and project funding for certain areas. In addition to these two approaches, foundations are also engaging more and more in founding and funding institutions, such as the Zeppelin University, Leuphana University Lüneburg, the Hertie School of Governance, and the Bucerius Law School.
Foundations are also making a name for themselves in founding innovative research entities. Among them, three are presented here: the Centre for Social Investment (CSI) at Heidelberg University, the Expert Council of German Foundations on Integration and Migration (SVR), as well as the Mercator Research Institute on Global Commons and Climate Change (MCC). The former belongs as an academic institute at the University of Heidelberg and carries out research at an interface of the economics, social science, law and theological faculties. The Centre’s aim is to ameliorate the understanding of social innovations and social investments through the work of its three departments of research, teaching and advisory services (CSI 2014). CSI was founded in 2006 and receives its core funding from a variety of foundations (see Table 12 below). The Expert Council of German Foundations on Integration and Migration, an independent advisory council, serves as a second example to highlight the science foundations’ potential for founding new research entities. In this case, a consortium of foundations, including among others Stiftung Mercator and the Volkswagen Foundation, were involved in founding this initiative in 2008. Its mission is to provide research-based but still practice-oriented recommendations for policy-makers on how to reinforce efforts to integrate migrants in Germany (SVR 2014). The third example of a newly-founded research entity is the MCC. Stiftung Mercator and the Potsdam Institute for Climate Impact Research decided in 2011 to found MCC to investigate sustainable economic growth and climate change (MCC 2014). These examples emphasise the foundations’ ability to identify and address pressing issues, such as social investment, migration and climate change. It is again relevant that foundations do not usually start the founding process themselves; it is more common for them to join forces with other cooperating organisations.

Table 12: Foundations funding new research entities

<table>
<thead>
<tr>
<th>Institution</th>
<th>Foundations involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hertie School of Governance</td>
<td>Gemeinnützige Hertie Stiftung, Karl Schlecht Stiftung, Stiftung Mercator, Commerzbank Stiftung, Randstad Stiftung, Stiftelsen Riksbankens Jubileumsfond, Fritt Ord Foundation, Rosenkranz-Stiftung, Stiftung ökonomischer Fortschritt, Dr. Heinz-Horst Deichmann Stiftung</td>
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<tr>
<td>Centre for Social Investment (core funding)</td>
<td>Manfred Lautenschläger Stiftung, Robert Bosch Stiftung, Fritz Thyssen Stiftung, Deutsche Bank Stiftung, gemeinnützige Hertie Stiftung, Stifterverband für die Deutsche Wissenschaft</td>
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<td>Expert Council of German Foundations on Integration and Migration (SVR)</td>
<td>Stiftung Mercator, Volkswagen Foundation, Bertelsmann Stiftung, Freudenberg Stiftung, Gemeinnützige Hertie-Stiftung, KörberFoundation, Stifterverband für die Deutsche Wissenschaft, Vodafone Foundation Germany</td>
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<td>Mercator Research Institute on Global Commons and Climate Change (MCC)</td>
<td>Stiftung Mercator with the Potsdam Institute for Climate Impact Research (PIK)</td>
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</tbody>
</table>

Source: Own illustration
5 Conclusions

5.1 Main conclusions

The findings of this study show a foundation sector that is characterised by the following main features:

- Foundations in Germany make use of a huge variety of legal forms, of which the independent foundation under civil law with a public benefit purpose is the most common.
- Foundation law is not a coherent part of the law, but is spread between corporate, tax and civil law.
- The foundation sector is highly concentrated in terms of assets and expenditure. A small fraction of the field represents the majority of the accumulated capital.
- The majority of foundations are grantmaking.
- Most foundations engage in applied research.
- The beneficiaries are mostly institutions and individuals in higher education, such as universities and universities of applied science.
- There is a focus on the dissemination of research in the stated goals of foundations’ work.
- There is a high level of integration in the public funding system of R&I. In particular, the main institutions are part of the public chain of support for R&I.
- The overall share of financing R&I that comes from foundations is about 1% and therefore at first sight is not that impressive.

Thus, foundations are a flexible form of private contribution to researching an innovation. Donors can choose from a variety of different legal forms, as well as from different forms of participation in the system of R&I, depending on their wishes.

Besides a broad field of tens of thousands of smaller organisations, there are a few very big foundations which control the majority of the financial means of the sector. These big foundations can in fact influence a certain field of research by funding either a specialised infrastructure or individuals that fit into the foundations’ focus programs.

During the period after WWII, these big players evolved and helped substantially to re-build the German research system. Also, important innovations such as the introduction of special funding schemes took place at this time. Some of these programs were implemented into public schemes, and others institutionalised into stable public-private partnerships.
5.2 Strengths and weaknesses of the R&I foundation sector

Among the main strengths of the German R&I foundation sector are its capability to define focal points and to serve as issue-specific advocates and agenda setters. Despite the fact that the biggest structural innovations took place in the past, foundations still shape the R&I system by means of the effective funding of focal issues and the dissemination of research resulting in a broader public debate.

The biggest weakness of R&I foundations is their marginal financial role. With only 1% of the total expenditure on R&I, they do not seem capable of having very much influence in this field. However, as described in Chapter 4, there are some very good examples of innovative practices introduced by foundations.

Another weakness of the foundation sector in general is the need to prove their legitimacy on a permanent basis. Since the recipients of foundations’ funding are often public institutions or individuals working in these institutions, there is a strong necessity to make procedures transparent and to explain why one focal scheme is being funded and another not.

5.3 Recommendations and final remarks

In summary, the reputation of German research foundations is generally high. They offer a wide range of possibilities to support individuals and organisations alike. In addition to funding individual researchers and their projects, they also provide support to universities and new research entities. Nevertheless, especially in the wake of the rising importance of research foundations, questions of legitimacy will become more and more important. Foundations are not legally bound to release official documents. Since they are not held accountable for publishing facts, figures and reports, the foundations’ work is not made accessible and transparent to the public. Due to this continuing lack of accountability, reliability and transparency, this legitimacy issue will sooner or later become a serious deficiency.

The majority of the foundations in this study have a mixed funding structure consisting of funding and operative programs alike. Since they do not work solely in an operative way, and thus also accept grant applications from external parties, their own capacity for innovation is limited. Nevertheless, this open structure of a mixed funding format encourages grant recipients to come up with unconventional ideas. This mix of funding and operative foundations seems to be promising and should be encouraged.

‘Science foundations provide only about 1% of public science funding’ (Nachhaltige Wissenschaft 2012). This is how Wolfgang Rohe, Executive Director of Stiftung Mercator, describes the contribution of science foundations in Germany. Despite the debate about private players’ influence on science and higher education, the foundations’ contribution is relatively seen as being marginal and limited. Thus, their capacity to initiate innovative projects and programs is somehow also limited. However, it has to be acknowledged that foundations are definitely able to give an impetus to reform and to initiate processes. Even though their effects are rather selective and not widely applied, it is certainly thoughtful and substantiated.


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