

The Institute for Arts and Media Management at Freie Universität Berlin





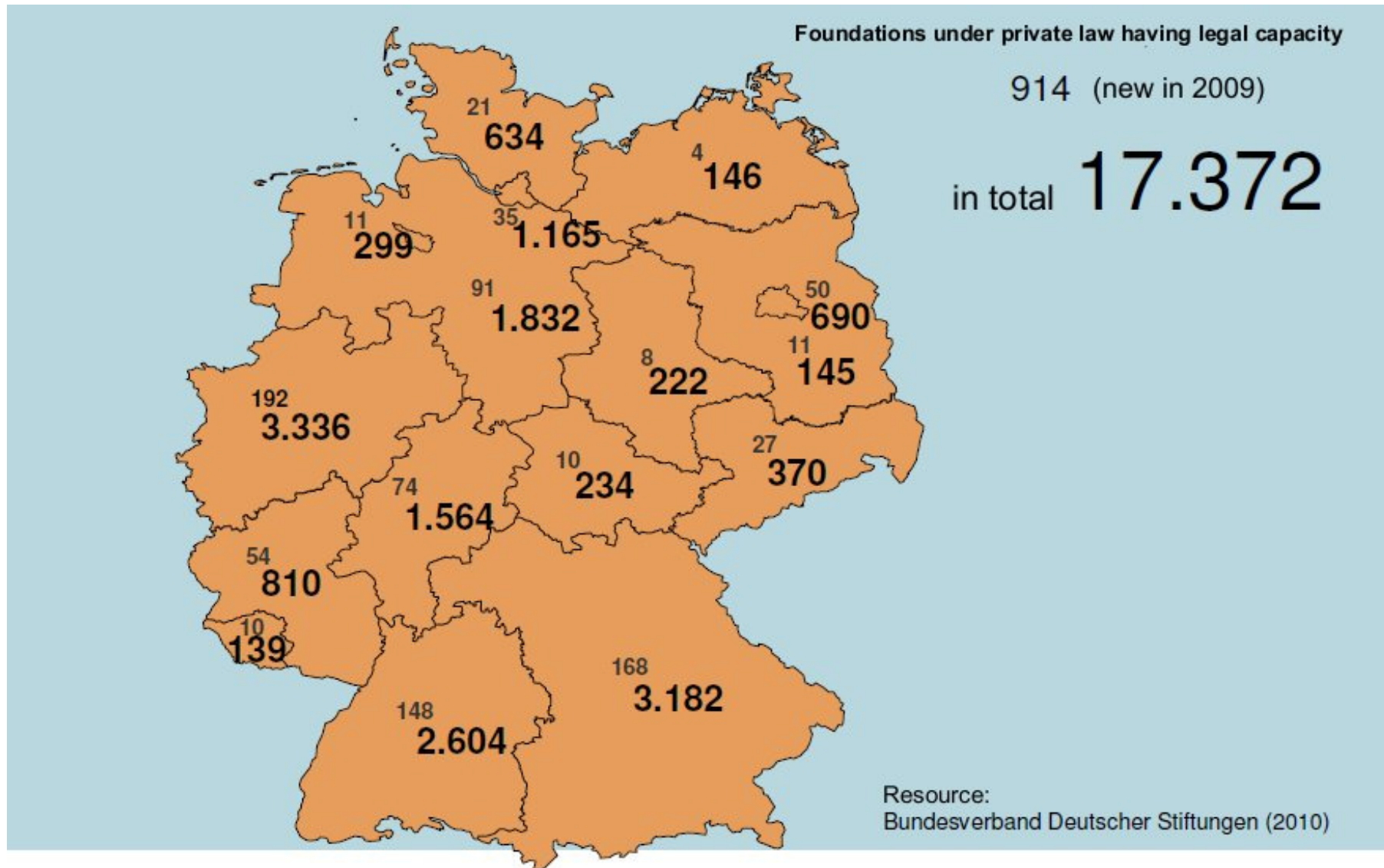
Development of Art Foundations in Germany

Prof. Dr. Klaus Siebenhaar

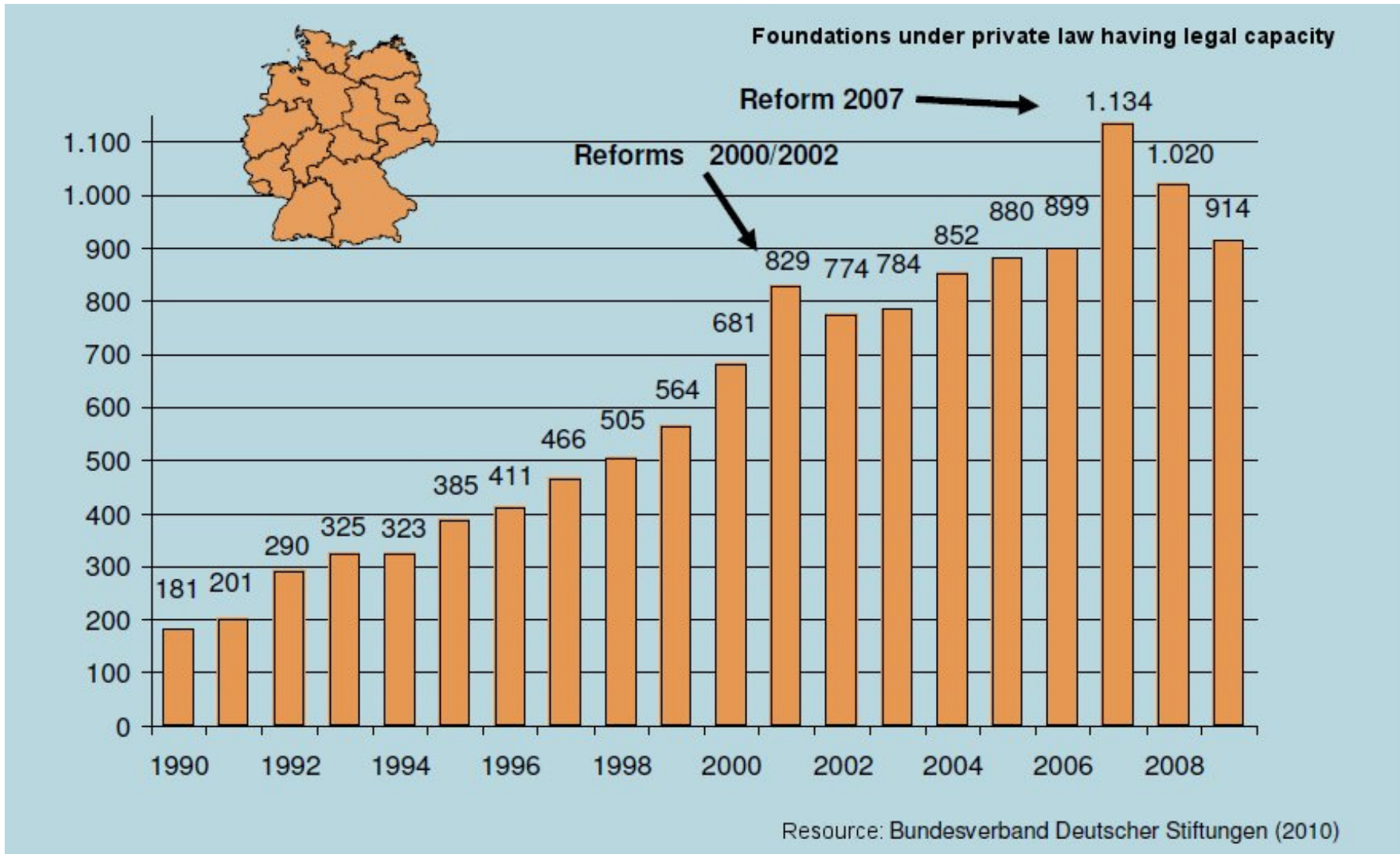
Outline

- **The foundation-boom and its market in Germany**
- **What do foundations stand for and how are they perceived?**
- **The institutional framework in Germany**
- **Professionalization of foundation management**
- **Strategies of „Creative Philantropy“**
- **Features of art and culture foundations in Germany**
- **International foundation engagement – the example of „Culture Management in China“**

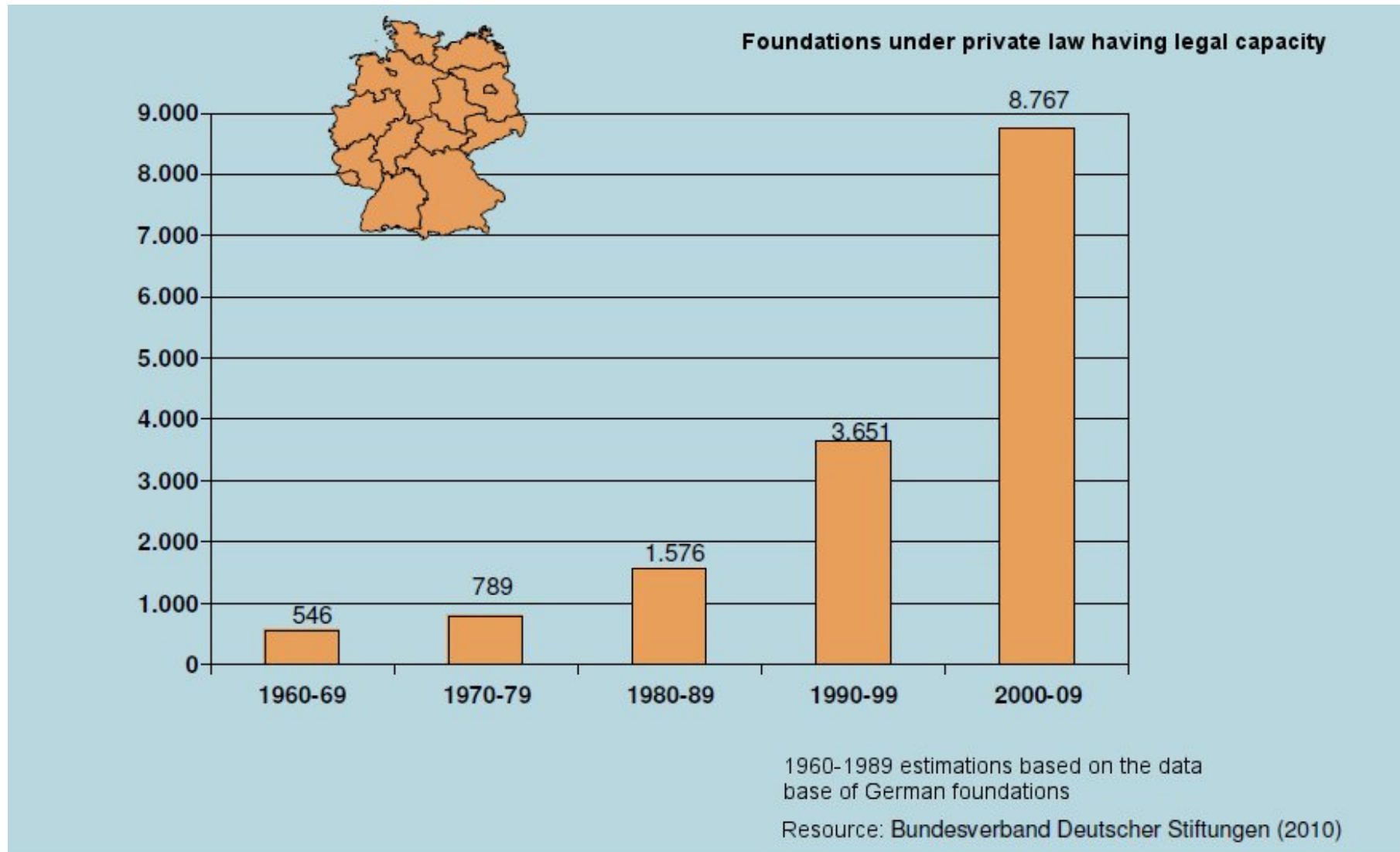
Number of foundations in Germany 2009



Establishments of foundations in Germany 1999-2009



Establishments of foundations in Germany 1960-2009



Biggest foundations under private law regarding to assets

Name	Assets in Euro
Robert Bosch Stiftung GmbH	5.184.899.000
Dietmar-Hopp-Stiftung gGmbH	2.900.000.000
VolkswagenStiftung	2.374.314.000
Landesstiftung Baden-Württemberg gGmbH	2.282.450.000
Deutsche Bundesstiftung Umwelt	1.806.799.000
Else Kröner-Fresenius-Stiftung	1.800.000.000
Klaus Tschira Stiftung gGmbH	1.293.941.000
Joachim Herz Stiftung	1.000.000.000
Alfried Krupp von Bohlen und Halbach-Stiftung	898.803.000
Gemeinnützige Hertie-Stiftung	798.603.000
ZEIT-Stiftung Ebelin und Gerd Bucerius	724.023.000
Software AG-Stiftung	689.000.000
Bertelsmann Stiftung	618.998.000
Körber-Stiftung	510.000.000
Siemens Stiftung	400.000.000

data as of 2008

Resource: Bundesverband Deutscher Stiftungen (2010)

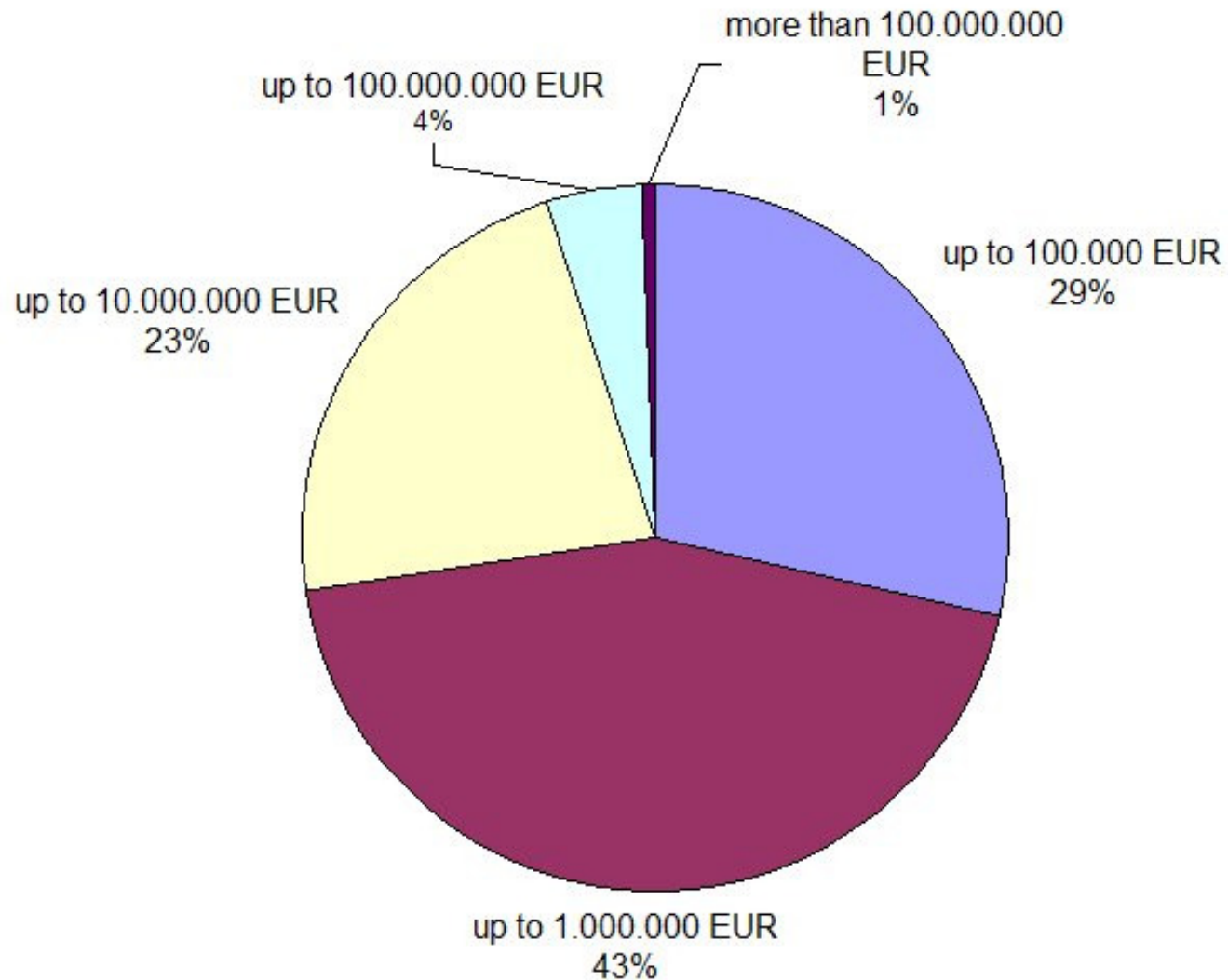
Biggest foundations under private law to total expenditure

Name	Total expenditure in Euro
VolkswagenStiftung	121.861.000
Bertelsmann Stiftung	77.500.000
Robert Bosch Stiftung GmbH	75.856.000
Landesstiftung Baden-Württemberg gGmbH	71.074.000
Alexander von Humboldt-Stiftung	67.871.000
Deutsche Bundesstiftung Umwelt	60.815.000
Studienstiftung des deutschen Volkes e. V.	51.618.000
Alfried Krupp von Bohlen und Halbach-Stiftung	42.200.000
Deutsche Stiftung Denkmalschutz	38.000.000
Umweltstiftung WWF-Deutschland	35.330.000
Dietmar-Hopp-Stiftung gGmbH	30.000.000
ZEIT-Stiftung Ebelin und Gerd Bucerius	27.528.000
Stiftung Mercator	24.500.000
Software AG-Stiftung	24.130.000
Gemeinnützige Hertie-Stiftung	21.102.000

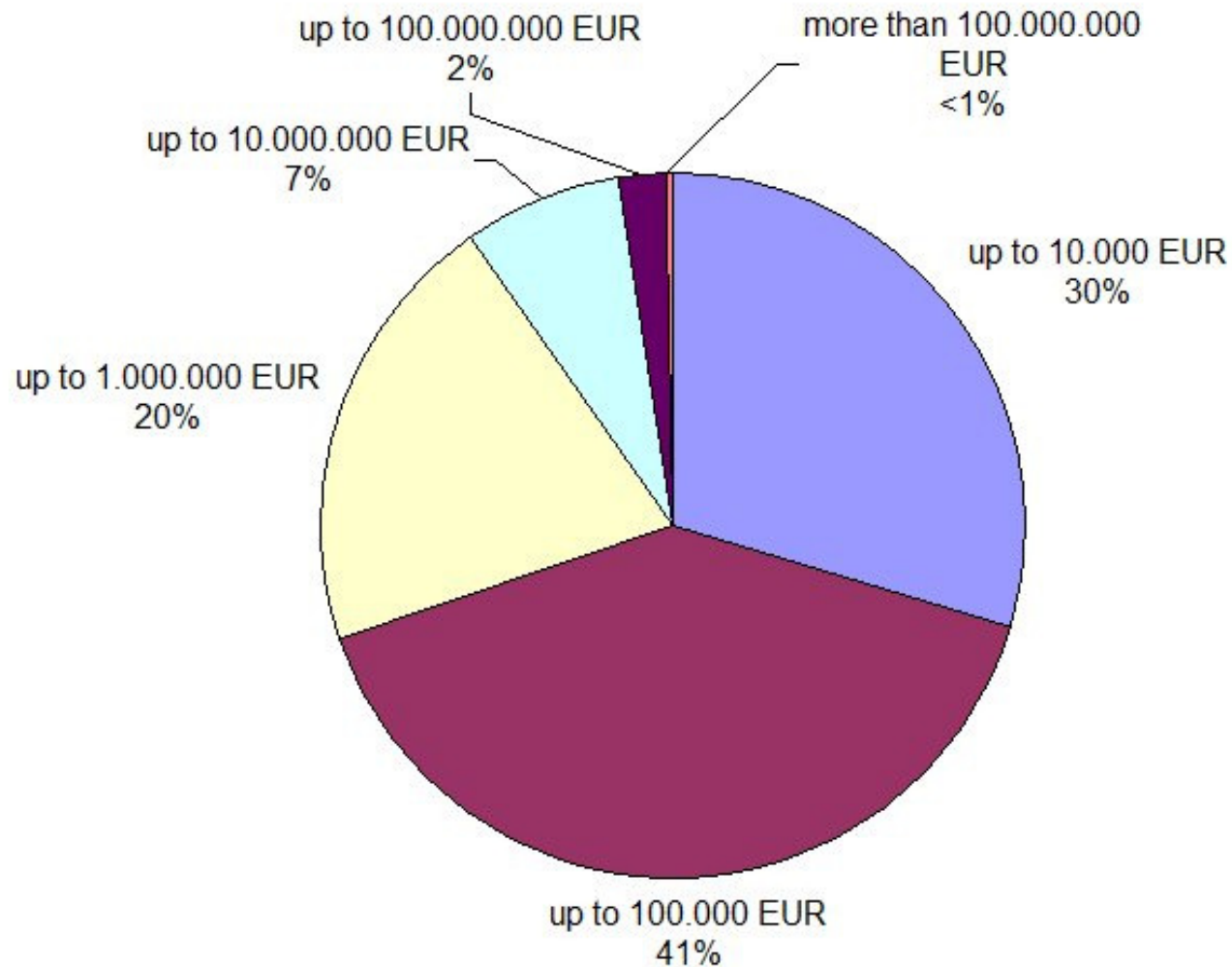
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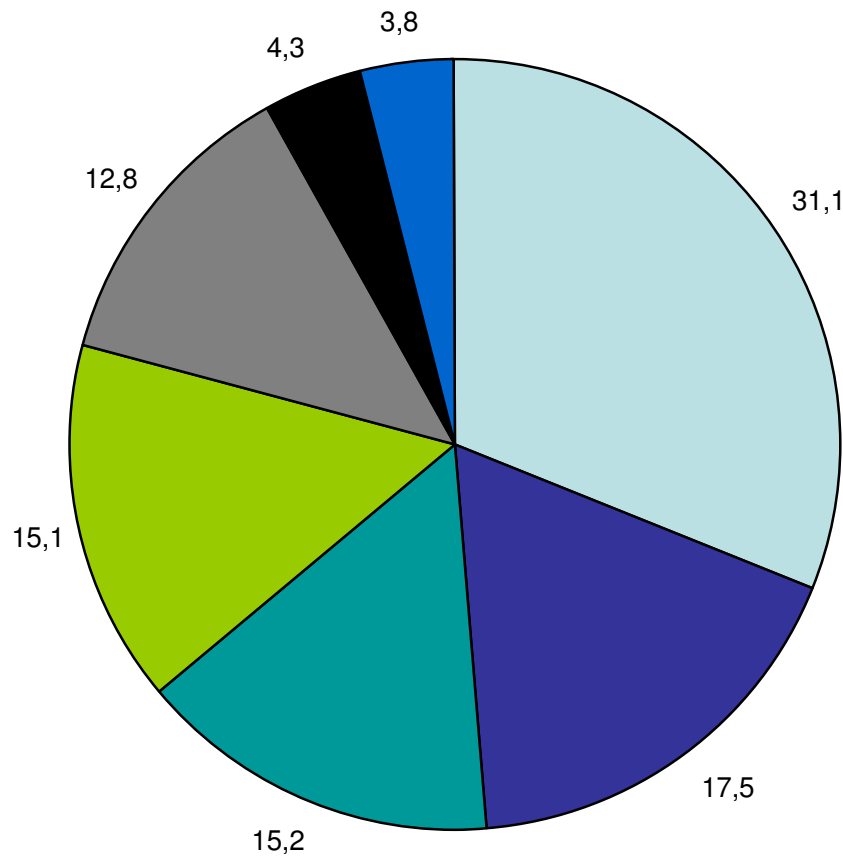
Foundations and asset classes



Foundations and total expenditure classes



Purposes of the foundations



- 31,1% Social purposes
- 17,5% Other non-profit purposes
- 15,2% Education
- 15,1% Art and culture
- 12,8% Science and research
- 4,3% Private purposes
- 3,8% Environmental protection



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Development of Art Foundations in Germany

Foundations are meant and planned for eternity; they focus on continuity and counteract transience and oblivion. Giving will provide everyone with the answer to the existential question, “What remains?” Security, respectability, responsibility, independence and trustworthiness represent the values and principles that shape the identity of the idea of foundations and are at the same time, the basis for the public image and awareness of foundations. They have never seemed more valuable and worthwhile than today: foundations act like strongholds against the erosion of trust in society, against the craze to get rich, against irresponsibility and the decline of values.

The boom in foundations in Germany during the last decades has cemented these positive attitudes firmly in the collective consciousness, without there being an awareness of the multitude of foundation systems.

FOLIE 1 “Number of Foundations in Germany, 2009”

Today there are more than 17,000 foundations in Germany. In 2009 alone, over 900 foundations having legal capacity were established. Aside from the fiscal effects, this is due mainly to a larger philanthropic consciousness and, of course, to the demographic factor: Significant private fortunes have been amassed for centuries that have been increasingly inherited and donated for ten years. The new foundation boom that began in 2000 (see graphs), confirms this development.

FOLIE 2: "Establishment of foundations in Germany 1999 – 2009"

FOLIE 3: "Establishment of foundations in Germany 1960-2009"

Before the most important trends of the foundation system and the specific situation of the arts and culture foundation are discussed, here are a few fundamental remarks on the regulatory framework conditions for foundations in Germany.

The prototype of a foundation is the foundation with legal capacity under civil law. This is the classic instrument for realising long-term objectives and is subject to the state supervisor for foundations. The foundation is identified as a legal estate that is dedicated to a certain long-term objective, especially charitable objectives. The founder determines the objectives a foundation pursues and what its internal organization looks like, as he wills in the articles. About 95% of foundations having legal capacity pursue charitable, religious or benevolent objectives.

The foundation having legal capacity under civil law differs from other legal entities under private law (for example GmbH, e.V.), which are also used to establish a foundation, by its lack of association structure. It does not have any members or owners, who pursue the interests of associates.

Many of the best known foundations are companies that establish so-called interest-related foundations and contribute substantial company shares to them. Other foundations affiliated to companies are increasingly being established by the companies themselves within the framework of their CSR activities. Foundations affiliated to companies hold shares in the company or run their own business. They are often used as instruments to govern the company's succession.

In addition, there are the foundations of public authorities, which can be established either under private or public law. On the state's side, foundations under public law are established by a foundations act, notably by the law, and pursue goals within a particular public interest sector (see graphs 4 and 5).

FOLIE 4 "Biggest foundations under private law regarding to assets (capital)"

FOLIE 5 "Biggest foundations under private law to total expenditure"

Potential founders are basically free to choose the seat of the foundation; all they need to do is present a reasonable justification for the choice of seat. The responsibility of the supervisory authority depends on the seat of the foundation. Every federal state has at least one regional supervisory authority that gives charitable foundations their legal capacity. It examines if the articles

of the foundation conform to the national and regional foundation acts, when being established, and afterwards, if the foundation's work fulfils the objectives laid down in the articles.

Foundations involved in working for charitable, religious and benevolent objectives are receiving more and more attention and recognition in the public's perception. They are regarded as sponsors of innovations, as important factors in a sustainable social system or as benefactors and are considered an essential element of a free and united civil society. However, foundations are not only increasingly valued by the wider public but their important and growing contribution to the promotion of cohesion in society has been noticed in the political arena for some time now. Recently, with the "Law to further strengthen civil engagement" of 15.10.2007 (BGB₁ [*German Civil Code*] No. 50) the federal government in conjunction with the states has lived up to its responsibility to support and stimulate the culture of private foundations: Changes to the tax law on foundations have increased the appeal of philanthropic involvement, the simplification of laws governing donations and the rulings on cutting down on red tape facilitate the work of foundations.

The great non-material or social capital of foundations are freedom and independence. Their unique position lies in not being dependent on either the economy or politics. Foundations can and should unfold their potential in social, i.e. social and cultural areas, where others – the state, the government for example – are not successful. And they can pursue their objectives long-term, continuously. Foundations are also an important material factor with an estimated total capital of foundations exceeding 100 billion Euros. However,

this should not hide the fact that almost 75 percent of German foundations only dispose of a capital of less than 1 million Euros ... (graph 6)

FOLIE 6 “Foundations and asset classes” ...

and accordingly can only spend up to 100,000 Euros annually (graph 7).

FOLIE 7 “Foundations and total expenditure classes”

This low capital endowment, of course, also significantly limits the scope of activity.

Another challenge faced by the modern foundation system is the matter of professional management with efficient organisational structures, clear strategies, positioning and profiling. Bernhard Lorentz, Managing Director of one of the largest German foundations, the Mercator Stiftung Essen with its cultural and educational objectives, is right when he says: “The German and international foundations markets have continuously expanded for 20 years and to a great extent. This growth goes hand in hand with increased professionalism in management. A new generation of managers is starting to fill the leadership gap in the foundations sector. In addition, however, the point is basically to define what makes a good foundation, and follow that model in one’s own organisation.”

Many medium-sized to large foundations, therefore, tend to use a strategy of “creative philanthropy” (Helmut Anheiner) today and into the future, which expands the charitable and conventional philanthropic approach to include the concept of an actively artistic, an intervention-sustaining arrangement. Private and company foundations see themselves less and less in the role of passive

“gap filler” of a cultural, social, educational desiderations or emergencies, they define relevant social areas and fields of funding.

Moreover, to give, to donate and at the same time to design sustainably means supporting social and political stakeholders to the effect that they make an enduring contribution to the solution to the problem. “Creative philanthropy” is no longer seen as isolated charitable donations from the position of benefactor, but as a goal, result and effect oriented foundation focussing on a strategy aimed at increasing quality, and aware of its strengths and social influence.

In other words, the future belongs to operative or operative and funding foundations. Only about 15 percent of all foundations can be assigned to the area of arts and culture.

FOLIE 8 “Purposes of foundations”

Small and medium-sized foundations dominate the arts and culture sector. As with all other foundations, decisions about focus of funding are made here too by the board and foundation council, whereby in general, specific types of art are supported, especially the younger generation of artists, and, for the last few years, all forms of art education. At the start of the 21st century, cultural education became the most important area of funding of arts and culture foundations. Only very rarely are international projects funded, here predominately by the large cultural foundations. The regional and national focus predominated for a long time, after which the European cultural exchange was incorporated.

In the last years the interest has also shifted to China, where the Mercator- and Robert-Bosch-Stiftung are particularly active. The important thing is the close collaboration with a renowned and competent German partner, the sustainability and cultural relevance of the project as well as professional project management. Because all German foundations that provide funding in this area, want verifiable independent funding projects that are seen as exemplary by the public, such as our project “Culture Management in China”, which has been funded with 140,000 Euros by the Goethe-Institute China and the Mercator Stiftung in Essen for two years. The Freie Universität and my Institute for Arts and Media Management developed the curricular concept and run it in Beijing, Berlin and Essen. This has led to collaboration with NAMOC, CAFA and the theatre Academy Shanghai, and an Alumni network has grown from Chengdu to Hong Kong.

From the middle of September until the middle of October, the participants were introduced to the Berlin art and culture scene where they engaged in a professional exchange with German cultural managers and management culture. The Berlin program covered visits to various cultural institutions, governmental authorities, and the creative industries. The cultural management project continues in 2010 with a wider range of fields involving performing art institutions, media festivals, and galleries. The aim is to provide the participants with universally applicable management tools for cultural organizations as well as to enhance their understanding and capability for international exchange of co-production projects.

An operative foundation such as Mercator is an equally strong and involved partner of the Goethe-Institut-China and the Freie Universitaet Berlin that gives generously and at the same time expects high quality within the program, cultural value orientation and social relevance.

For the future, projects such as “Cultural Management in China” would be perfect examples of collaboration between Chinese and German foundations.