

Centre for Philanthropy Studies (CEPS), Universität Basel
 Peter Merian-Weg 6, Postfach 4653, CH-4002 Basel
 Tel.: +41 (0)61 267 23 92, Fax: +41 (0)61 267 23 93, E-Mail: ceps@unibas.ch
www.ceps.unibas.ch

EDITORIAL

Dear Readers



The social welfare state is just over a hundred years old. Yet, the concept is being increasingly scrutinised and it has already been described as outdated. Especially, the proceedings of the financial

crisis in 2008 have stirred up the debate. While the economy at first recovered surprisingly well, we are now witnessing how one country after another is subject to a financial downturn. Among the first immediate reactions is usually the cutting of the overwhelming social expenditures.

As a consequence, non-profit organizations also had to deal with a cutback in their budgets. Throughout the past decades, nonprofits have developed a dependency on the state that currently needs to be questioned. Looking at the «Big Society» in the UK, the termination of the civilian service in Germany or the rigorous budget cuts in various countries, nonprofits will need to learn to emancipate themselves from state subsidies. A first step into this direction may be for the nonprofits to analyze the compliance of all their services with their chartered mission. This can already lead to some convergence.

Some reassurance lies in the past: social innovations mostly originated from the work of nonprofits than from public institutions.

Sincerely, Georg von Schnurbein

CONTENTS

NPO and the State	01
Social Impact Bonds & News	02
Interview & CEPS Insight	03
Social Innovation	04
Webtools for the elections	04
Calender	04

NPOs and State in a Successful Symbiotic Relationship

The state depends on NPOs and NPOs depend on the state. This short formula explains the success model of the subsidiarity principle. Whilst many NPOs receive public transfer payments, they take on important social responsibilities.

Nonprofit organizations (NPOs) play various roles in society. Besides the provision of social and cultural services, they articulate the interests of their members, take part in political discourse or actively promote the social integration of the disadvantaged in society. Thereby, they find themselves in a close interrelationship with the state. On the one hand, the state sets the legal framework and promotes NPOs through subsidies and transfer payments. On the other hand, NPO are able to influence the political agenda of a government in many ways.

NPO in the Welfare State

Switzerland is among the countries with liberal welfare regimes. This means, that the NPO sector is relatively large, while the national social spending rate is relatively small compared to other countries. NPOs assume many tasks which in countries with statist character (e.g. France) fall into the responsibility of the state. The relationship follows the logic of subsidiarity: the state only becomes active when at a lower level there is no one to execute the tasks. If an NPO can provide the services more efficiently, it will be preferred over direct state intervention. In jargon, this is called «contracting out». The state partly finances the welfare services but employs private organizations for the execution. The state thereby promotes the autonomy of its citizens. This follows the idea of a strong civil society, but it can also be hazardous. For example in England, the «Big Socie-

ty» concept means that public funds for NPO are drastically cut. The remaining finance gap is supposed to be closed by volunteer and (unpaid) civic engagement.

In addition to performance based contracts and direct subsidies, the state also finances NPO indirectly through tax reliefs. Charitable organizations can apply for a tax exemption, which excludes them from national, cantonal and communal tax obligations. The revision of the VAT act has caused some excitement in Switzerland. The introduction of a uniform rate, and thus, the removal of the exemption for charitable organizations, would have led to many NPOs having to pay VAT. For some NPO, this would have meant a serious threat to their operations and existence. The bill was referred back to the federal council with a revision request for the national council winter session. It is expected that the new version of the bill will include the exemption of VAT for charitable organizations again.

Political Influence

NPOs have a considerable influence on politics. Historically, the nonprofit sector is of greater significance to social politics than the state. «Before the establishment of modern social politics in the mid 19th century, predecessors of welfare services were largely driven by church (or other private) organizations» states the NPO researcher Badelt. In Switzerland, it was the Schweizerische Gemeinnützige Gesellschaft among others that played a pioneering role in the relief of

the poor and in the establishment of school and public education. NPOs often show the state areas of need for action within society. The conventional theory of the origin of NPOs even assumes that NPOs were mainly founded in a reaction to state and market failures.



NPOs in Switzerland have many possibilities of influencing legislative processes. In so-called «Vernehmlassungen» (consultations), they are able to raise concerns and make own suggestions in the early stages of the law making process. NPOs also play an important role in starting and supporting referenda and initiatives, two very unique mechanisms of the Swiss direct democracy. With the «Verbandsbeschwerderecht» (associations' right of complaint), National ecological NPOs also have a powerful instrument at hand. They are able to stop larger in-

frastructure projects if they perceive a negative impact on the environment. Also a closer look into the interests register of the Swiss parliament illustrates the interrelation between politics and the NPO sector

Investment in Philanthropic Infrastructure

Generally speaking, the Swiss parties have a positive attitude towards the NPO-Sector. While there are few voices that want to cut the high transfer payments to NPOs, the overall significance of the NPOs in the vitalization of society and the provision of social services are not questioned. To strengthen the NPO sector, the state should invest in the philanthropic infrastructure.

FACTBOX

Through «Leistungsaufträge» (in short LA = service contracts), the state can control the provision of services by NPOs. The state literally purchases social services. LA have clear and measurable performance targets. They are an instrument of New Public Management. NPOs also try to get LA to secure their funding.

The CEPS has made some concrete suggestions in its publication «Philanthropy in Switzerland». A strong NPO-sector is the reflection of an active civil society and direct democracy. A hallmark of Switzerland which should be further promoted.

Steffen Bethmann

Literature

Armington, K. (1996): Konkordanz, Sozialpartnerschaft und wohlfahrtsstaatliche Politik in der Schweiz im internationalen Vergleich; in: Linder, W. et al. (Hrsg.): Schweizer Eigenart – eigenartige Schweiz, Bern/Stuttgart/Wien, S. 69-84.
Badelt, C. (2001): Die Rolle von NPO im Rahmen der sozialen Sicherung, in: Simsa, R. (Hrsg.): Management der Nonprofit-Organisation, Stuttgart, S. 23-40.
Nollert, M./Budowski, M. (2010): Politischer Kontext und zukünftige Herausforderungen, in: Helmig et al. (Hrsg.): Der Dritte Sektor der Schweiz, Bern, S. 207-226.
von Schurbein G./ Bethmann, S. (2010): Philanthropie in der Schweiz, Basel.
Wagner, A. (2007): Der Nonprofit-Sektor in der Schweiz; in: Badelt, C. et al. (Hrsg.): Handbuch der Nonprofit-Organisationen, Stuttgart, S. 40-54.

NEWS

BASEL Phd Thesis Published

The Phd Thesis «Venture Philanthropy. Admissibility and Legal Liability Implications for Swiss Foundations and their Organs» from Dr. Daniela Schönenberg, former scientific assistant at the Centre for Philanthropy Studies (CEPS) of the University Basel has been published in its original German version at Helbing & Lichtenhahn Verlag. www.helbing.ch

BASEL First Basel Day of Foundations

The association Stiftungsstadt Basel organizes the first Basel Day of Foundations in the Kunstmuseum on August 16th. The event will take place annually from now on and shows the various contributions foundations make in Basel as well as beyond the city borders. www.stiftungsstadt-basel.ch

ZÜRICH English version of the Swiss Foundation Code published.

The Swiss Foundation Code 2009 is the first and most comprehensive self-regulatory governance code for grant-making foundations in Europe. Based on three main principles, the code gives 26 recommendations on good governance practices. The abridged version can be downloaded from the SwissFoundations webpage. www.swissfoundations.ch

What are Social Impact Bonds?

Investors are rewarded financially by the government if NPOs manage to solve social problems more effectively than the government.

Social Impact Bonds (SIB) are investment bonds that promise financial as well as social returns.

The state announces a certain social goal, such as lowering the rate of reoffending juvenile delinquents, for which it promises a financial reward. However, the state only pays out the money if the agreed upon targets are met. For example, an NPO has developed a new method and is convinced that it will bring better results than in a control group that runs through the conventional state run program. But the NPO lacks the funds and personal capacity to implement its new method. A private organization, convinced that the NPO has the knowledge and ability to reach the target announced by the state, offers SIB on the capital market. It gathers the funds necessary to run the program. SIB are risky for investors

but can bring a return on investment. If the NPO accomplishes the goals, the state pays out more money than the cost of the program, but also less than it had pay for their own less effective way in dealing with the problem. Should the NPO not manage to lower the number of reoffenders, the state does not pay anything and the investors lose their money. Using SIB, the state can try out new methods to solve social problems at a comparatively low risk.

The concept is based on performance based payment of services. It combines social innovations with market discipline. However, SIB can only be utilized where clear and measurable goals can be formulated and in areas where the failure of new solutions does not lead to greater social damages. <http://www.socialfinance.org.uk/>

Questions to the Regulatory Authority

Foundations in Switzerland have to annually prove to the regulatory authorities whether they fulfill the foundation's purpose. The CEPS speaks with Dr. Ruggli-Wüest, Director of the foundation regulatory authority of Basel Stadt about the responsibilities of her office and the upcoming structural reform.

CEPS: Why is there a need of a regulatory authority for charitable foundations?

Dr. Ruggli-Wüest: The regulatory authority is the only office that monitors the foundation and checks whether the foundation actually fulfills its purpose in consistency with its charter. Although the tax administration also performs audits, these only look at the grants given out by the foundation and its qualification for tax exemptions. In contrast to other legal entities, the foundation has no instruments of democratic control such as general or shareholder meetings etc.



Dr. iur. Christina Ruggli-Wüest

Dr. Ruggli-Wüest is the director of the regulatory authority for foundations of Basle. She also presides the conference of the cantonal BVG- and foundational regulatory authorities and is actively involved in the current structural reforms.

CEPS: What are the reasons for a foundation becoming inactive?

Dr. Ruggli-Wüest: In practice, there are two main reasons: lack of money or a lack of sufficient organization. For example, when nobody looks after grant applications or one can't find new members for the board of trustees.

CEPS: What is the reaction of the regulatory authority in such cases?

Dr. Ruggli-Wüest: In the context of the annual audit report the inactivity is detected. In the following, the foundation is requested to demonstrate in their next report how they plan to pursue their purpose. If the foundation remains inactive, further regulatory measures will be considered, for example the appointment of one or more members of the board of trustees by rights/ex officio to push the attainment of the purpose further or to launch respective measures.

CEPS: What capacity does the regulatory authority have to criticize way a foundation fulfills its purpose?

Dr. Ruggli-Wüest: An examination of how the purpose is attained takes place in the framework of the annual report in accordance with the chartered purpose. If no accordance is perceived we will enquire. There may need to be an amendment or enlargement of purpose if the chartered purpose is verifiably no longer accomplishable.

CEPS: In the course of restructuring of the pension funds system, the regulatory authorities are reorganized. What are the consequences for charitable foundations?

Dr. Ruggli-Wüest: Because of the outsourcing of the BVG regulatory authority (spin-off into a new public institution) we need to think about where to locate the regulatory authority of foundations administrated by the former office. Several cantons have decided to put the new institutions in charge of the regulatory authority of foundations (for example both cantons of Basel); but there is also the possibility of a division to assign the certain foundations to a different office within the canton.

CEPS: In which areas would you wish for more competences?

Dr. Ruggli-Wüest: In order for a regulatory authority to function properly, it must have the qualitative and quantitative personnel capacity and financial resources proportionally to the monitored institutions and the audited assets. Furthermore, it is important that the regulatory authority can act independently or unbound to instructions. We hope that this will now happen in the process of the autonomisation into an independent institution.

CEPS: How would you describe the relation between state and NPO?

Dr. Ruggli-Wüest: The so-called Third Sector is taking on many important functions, mainly, but not exclusively in the domains of culture and social affairs.

This brings about a certain tension between the sector and government control. The latter functions as a guarantor for the regular application of funds vis-à-vis the donors and is a promoter of the sector which in my view should be characterised by a liberal basic attitude reflected in legislation and in a stringent monitoring. At present, this setup (still) works but possible legislative excesses within the framework of «prevention of misfeasance» respectively «failure of the regulatory authority» need to be challenged in due time.

CEPS: Thank you for your time!

CEPS INSIGHT

ERNOP Board

Upon recommendation of Prof. Michael Meyer, vice-rector of the Wirtschaftsuniversität Vienna, Georg von Schnurbein joined the board of directors of the European Research Network on Philanthropy (ERNOP). Coming from Switzerland, he will be in charge of the finances of the network. He also will promote the work of the CEPS on the European level.

EMES Conference

Steffen Bethmann presented a paper with the title «Social Innovation and Philanthropy» at the EMES conference in Roskilde, Denmark. The topic of the conference was Social Innovation through Social Entrepreneurship in Civil Society». More than 150 researchers from over 36 countries presented their latest research findings.

Civil service with infoklick.ch

Rafael Wyser completed a four week civil service assignment at infoklick. Infoklick is a platform for children and youth to organize their own projects and to get engaged. The organization was founded by Ashoka fellow Markus Gander. Rafael supported infoklick especially in the areas of evaluation and organizational development.

www.infoklick.ch

SOCIAL INNOVATION

A trend study by the two German sociologists Jürgen Howaldt and Michael Schwarz looks at the theoretical concepts, areas of research and observable trends in the field of social innovation.



The authors start out with the thesis that there is a paradigm shift in innovation research in the social sciences. Whereas earlier research focused on the social preconditions, effects and process relating to technical innovation, social innovation itself is now in the focus. Their trend study provides an overview of the current state of national and international research on social innovation and discusses its contribution to obtaining and expanding the innovative capabilities of modern societies.

The field of social innovation research is growing rapidly. Researchers from a variety of disciplines have taken up the term and discuss its meaning. Some stay more pragmatic and position social innovation in the field of nonprofit management, others look at social innovations in relation to wider social change. Howaldt and Schwarz give an overview of the current development and provide their own definition which is based in the Schumpeterian tradition but also opens up new dimensions. Central to their view is that social innovations are non-technical and their goal is to satisfy or answer

needs and problems better than established practices. Their study is a first step to develop a theory of social innovations and is absolutely worth reading.

Steffen Bethmann

Free Download at: <http://www.sfs-dortmund.de/v2/rubriken/publikationen/datenbanksuche/index.php?id=1289>

Also: Howaldt/Schwarz (2010): Soziale Innovation im Fokus, Bielefeld: transcript

Did you know?

36´400´000´000

The endowment of the Bill & Melinda Gates Foundations is approximately worth 36 billion USD. Per year around 3 billion USD are given out in grants. Granting areas include health, poverty & development as well as education.

Quelle: Gates Foundation (2011)

Correction

In the last issue we accidentally compared the foundation density of Germany with the one from the canton Basel City. The foundation density in Switzerland equals around 16.1 foundations per 10'000 inhabitants and is therefore eight

VOTER ORIENTATION

Many NPOs offer orientation for the upcoming elections in Switzerland.

On October the 23rd elections for the national parliament and the council of states take place in Switzerland. In the internet various NPO have designed webpages that help voters to make the right choice.

The page www.smartvote.ch is such an online election help page. By answering a questionnaire about diverse political topics voters can compare their own opinion with the ones of the politicians or the parties. In the end the survey suggests the person or party which is the closest to one's own standpoints. The operator of the web page is the public beneficial association Politools from Bern. The aim of the Politool is to promote the political education and political interest of the population.

On the joint webpage of the Zurich dependencies from WWF, ProNatura and a Bird protecting NPO ecological aware voters can check out which party has the best nature conservation programs (www.umweltbewusst-waehlen.ch). On the webpage www.parlarating.ch you can calculate the attitudes of politicians on certain topics on scales from -10 to +10.

So it's worth to go into the net before the election!

CALENDER

CEPS FURTHER EDUCATION

CAS Performance & Communication in NPO

Modul 1: September 12th - 15th, 2011
Modul 2: October 19th - 21st, 2011
Modul 3: November 7th - 10th, 2011

Philanthropy in the Morning

«Social Network Analysis»
September 8th, 2011, WWZ Uni Basel

Foundation Management

March 19th - 23rd, 2012

CAS Governance & Leadership

Modul 1: May 7th - 10th, 2012
Modul 2: June 4th - June 6th, 2012
Modul 3: June 25th - June 28th, 2012

OTHER DATES

**Association Stiftungsstadt Basel
First Basel Day of Foundations**

August 16th, 2011, Kunstmuseum Basel

**Freiwillig Engagiert
European University for Voluntary Service**

August 31st - September 3rd, 2011, University Basel

**ProFonds
Swiss Day of Foundations**

November 3rd, 2011, Fribourg

**SwissFoundations
11th Swiss Symposium of Foundations**

November 24th, 2011, Lausanne

LEGAL NOTICE

PUBLISHER



Centre for Philanthropy Studies,
University Basel

EDITOR

Steffen Bethmann
(steffen.bethmann@unibas.ch)

LAYOUT & PICTURES

a+ GmbH, Steffen Bethmann
(1) © iStockphoto.com/mddphoto
(2) © Das Schweizer Parlament

Philanthropie Aktuell online.

© CEPS 2011

www.ceps.unibas.ch/aktuelles/philanthropie-aktuell-abonnieren