

## Chapter 2

# Outlining Italian Bank Foundations

### 2.1 When the Origin Makes the Difference

In Italy, the number of nonprofit organizations has grown significantly in the past 20 years. Most of this change and expansion has been a result of the emergence of bank foundations, defined in general as nonprofit groups with their own income and governing boards that use their financial resources for public benefit (European Foundation Centre [2003](#), [2005](#)).

The appearance of bank foundations in the Italian economic landscape has not been spontaneous but rather been the result of a deep legislative process of reform involving the Italian banking system during the 1990s. The legal origin of these organizations has affected their aims as well as the procedures for carrying out their activities. At the same time, it has given them some characteristics that make Italian bank foundations unique compared with foundations in general.

#### 2.1.1 *The Origin by Law*

Italian bank foundations are a recent phenomenon. They were developed in the 1990s as a result of a legislative process aimed at privatizing and modernizing the public banking system (Emmanuele [2004](#)).

They did not arise from a private sector initiative but rather were the result of a series of legal reforms that began with the Amato Laws (Law no. 218/90 and Decree no. 356/90). As such, they represent an act of “social engineering” (Zamagni [2007](#)).

Before the passage of these laws, the Italian credit system was characterized by the presence of public savings banks that began in the nineteenth century, initiated either by the state or by individuals (Bruni [1999](#)). As a priority, these banks primarily engaged in lending activities. However, given their public origin, they

also pursued social purposes to demonstrate a philanthropic attitude (Salamon and Anheier 1997), donating a part of their profits to public interest initiatives.

With the Amato Laws in the early 1990s, the philanthropic activities of the banks were separated from the credit functions to ensure a greater efficiency in the banking system. More specifically, the credit business was “spun off” from the public banks, which in turn maintained only philanthropic activity. The two activities, originally carried out jointly within the public banks, were therefore assigned permanently to separate and distinct entities that took the place of the original public savings banks: “spin-off” banks on one hand and bank foundations on the other.

As a result of the reform, new banks in the form of joint stock companies began to spring up, and these entities pursued a profit intent. The credit business was entrusted exclusively to these entities, facilitating in this way the reorganization of the Italian banking system. At the same time, the number of foundations in Italy increased dramatically due to the proliferation of bank foundations—a new kind of nonprofit organization charged solely with philanthropic activity.

Although the spin-off banks and the foundations are separate and distinct entities, a participatory relationship exists that link the two organizations. The shares of the new spin-off banks are controlled in large part by the bank foundations. Together with other forms of capital investments, the spin-off banks aim to increase shareholder wealth, which in this case effectively provides the funds necessary for the foundations to carry out their philanthropic activity.

It follows then that the members of bank foundations’ boards cannot have management roles in the banks of which they are shareholders.

### Shareholding in Spin-Off Banks

After their origin in the early 1990s, bank foundations were required to maintain majority ownership of the spin-off banks. For some years, they were almost the exclusive trustees of the capital derived from the new privatized banks.

This link with the banking sector lost some of its strength with a new reform. The first step of this new reform was Law no. 474/94, which eliminated this requirement and favoured instead the investment diversification of bank foundations. A second and more significant step was Law no. 461/98 (also known as the Ciampi Law). The foundations were required to relinquish any control in the spin-off banks, with the exception of foundations with a book value of net assets less than €200 million or those located in special statute regions. The obligation is still in force today.

The situation at the end of the 2012 was as follows (ACRI 2013):

Foundations with shares in the spin-off bank >50 %	13
Foundations without shares in the spin-off bank	22
Foundations with shares in the spin-off bank <50 %	53
Less than 5 %	22

(continued)

(continued)		
Between 5 % and 20 %	17	
Between 21 % and 50 %	14	
<b>Total of foundations</b>		<b>88</b>

**2.1.2    *The Exclusive Purpose of Promoting Social and Economic Development***

Under the law, bank foundations were designated the exclusive purpose of promoting social and economic development of the territory, beyond a profit-making intent.

Although foundation law underwent major reforms (Basile 2003), the socially oriented role of bank foundations has never been questioned. In particular, Article 2 of Legislative Decree no. 153/99 reiterated that a bank foundation is a private legal person with statutory and management autonomy, pursuing only objectives of social and economic development of the territory. They are allowed neither the exercise of business activities nor the performance of credit functions. They are also excluded from any form of financing, disbursement, or subsidy involving entities with a profit intent.

The attribution of public purposes to bank foundations must, however, be properly understood. It does not prevent foundations from carrying out activities other than those of a social nature. Rather, it requires that such activities be instrumental to the public interest objectives that foundations pursue. Therefore, asset management and participation in banks or companies, for example, are not contradictory to institutional purposes if their aim is to produce a gain that helps meet social goals. It also follows that returns on investments must be used as a means to achieve the statutory purposes.

In this way, the philanthropic aim that used to be secondary for public banks has become the main purpose of bank foundations (Merusi 2002). They have become independent organizations with their own assets and statutory and management autonomy, in the service of public utilities (Danzi and Demarie 2003).

**2.1.3    *Asset Management for Grant-Making Activity***

The characteristics of the business are influenced by the particular nature of bank foundations: They are private legal entities, autonomous and self-governed, with

their own assets managed in a nonspeculative way that operate without profit intent for the satisfaction of the general interests of the territory (Zagrebel'sky 2009).

Bank foundations have inherited the vast assets of public savings banks, which need to be managed in an efficient way. At the same time, bank foundations are nonprofit entities in the exclusive pursuit of social purposes and have the legal obligation to use their proceeds to finance activities involving aims of general utility.

Their business comprises two major areas of activity: asset management activity, aimed at maximizing the return on investment, and grant-making activity, focused on the maximization of value for the territory (Alberti 2002; Leardini 2005; Tieghi 2002).

The distinction between asset management and grant-making activity is suggested by the law, which states that asset management must be carried out with organizational procedures suitable for ensuring its separation from the other activities of the foundation.

Although asset management and grant-making activity are both important, the core business of bank foundations is the grant-making activity. As established by law and reaffirmed by the statutes, bank foundations engage mainly in socially oriented and economic development undertakings. The management of assets therefore is functional and instrumental to grant-making activity.

### **The Statutes**

*Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona*

**Article 2:** The Foundation inspires its work for the common good and pursues exclusively socially oriented aims and promotion of economic development, ensuring the balanced allocation of funds with preference to areas with greater social relevance. To this end, the Foundation operates in the areas allowed by law.

**Article 5:** The Foundation's assets consist of financial assets (shares, bonds, bank deposits, etc.), movable property, and estate assets (furniture, equipment, etc.), and it is totally committed to the pursuit of institutional goals and managed consistent with the nature of the Foundation as a nonprofit organization that operates according to principles of transparency and morality.

Bank foundations use financial resources to satisfy the needs of the territory in which they operate (Tieghi 1995). To this end, they support own projects and social initiatives carried out by third parties that promote social and economic development. The main lever through which bank foundations realize their mission is grants—that is, donations or nonrepayable subsidies disbursed to private nonprofit organizations or public institutions.

Grant-making activity requires the foundation to know the needs of the stakeholders and their order of priority, to identify actions that will satisfy these needs, and to find the funds necessary to implement the interventions.

The funds delivered to the territory derive from asset management. In particular, the funds represent a part of the operating surplus—that is, total revenues and gains net of costs and taxes—after assignments to reserves (e.g., mandatory reserve, value fluctuation reserve), the fulfilment of legal obligations, and the repayment of any previous deficit.

Asset management is therefore closely linked to grant-making activity (Cioccarelli and Previtali 2002). Regarding the former, net assets are invested to obtain the funds needed to finance interventions. Regarding the latter, the funds are then used within the specific areas of intervention chosen by the foundation.

The same law (Article 7 of Legislative Decree no. 153/1999) requires that asset investments ensure the most appropriate connection with the institutional purposes of the foundation. It means that asset management is bound by the needs of the grant-making activity and is not independent from it.

This functional link also highlights a temporal connection between asset management and grant-making activity. The two activities are not simultaneous but rather are successive to each other.

As Fig. 2.1 shows, asset management is an activity that logically and chronologically precedes grant-making activity. Operating surplus produced by the management of a foundation's assets in period  $t$  provides the financial resources necessary in the next period ( $t + 1$ ) to carry out interventions of social utility through grant-making activity.

In the management of assets, bank foundations use available financial resources to buy securities, make equity investments, invest in property, and so forth. Article 7 of Legislative Decree no. 153/1999 puts constraints on investment decisions. Bank foundations must abide by the following:

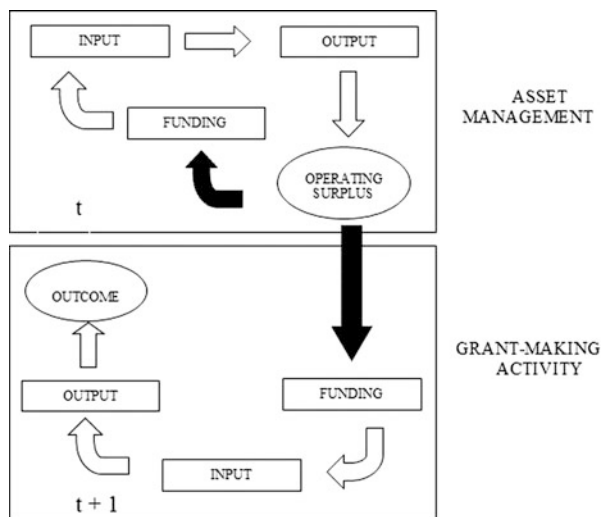
- They must diversify the risk of their investment portfolio.
- They must strive to achieve a return on investments that is consistent with the requirements of the grant-making activity.

The income derived from the trading of financial instruments and their return in the form of interest and dividends must, first, cover the operating costs. The operating surplus that remains is partially reinvested in asset management to maintain the integrity of the capital. The surplus is then used to carry out the grant-making activity.

The allocation of operating surplus is the starting point of the grant-making activity and represents the connection between institutional activity and asset management.

The tight correlation between the asset management and grant-making activities requires careful planning and a strategic coordination by a single body with a unitary view (Salamon and Voytek 1989). The investment decisions made under the asset management function must take into account the needs arising from the grant-making activity. Conversely, the grant-making activity cannot be separated from the return on investment of the asset management function, because it is financially dependent on the successful management of the assets.

**Fig. 2.1** Relationship between asset management and grant-making activity



## 2.2 Size and Geographic Distribution

As of December 31, 2012 (ACRI 2013), there were 88 bank foundations in Italy that varied widely in terms of their size and geographic distribution, with a total book value of net assets amounting to €42 billion and 1,023 full-time employees (on average, 11.6 people per foundation).

The size is established by the total amount of net assets. To show this phenomenon, Table 2.1 divides Italian bank foundations into five groups similar in number, using the criterion of statistical quintiles (ACRI 2013).

Table 2.1 shows a high concentration of net assets. The 18 large bank foundations represent 73.7 % of the total net assets, while the 18 smallest ones hold only accounted for 1.6 %.

With regard to the geographic distribution, foundations are generally grouped according to the four traditional geographical divisions of the country: northwest, northeast, central, and south and islands (Fig. 2.2).

The number of foundations varies significantly by geographical area. As Table 2.2 shows, 60 of the 88 foundations are located in the northeast and the central regions of the country. Only 11 are located in the south and islands, though this region has an almost equal reach.

Their non-homogeneous presence within the country derives from the distribution of the original savings banks from which the foundations arose. These savings banks were widespread in both northern and central Italy and almost entirely absent in the south.

By observing the distribution of net assets in terms of size and geographic area, it seems clear that the Italian bank foundation system is characterized by a significant degree of concentration.

**Table 2.1** Number and size of Italian bank foundations (ACRI 2013)

Size	Number	Net assets (€)	% of total net assets
Large bank foundations	18	31,076,041,150	73.7
Medium-large bank foundations	17	5,654,491,350	13.4
Medium bank foundations	18	3,044,446,349	7.2
Medium-small bank foundations	17	1,725,939,348	4.1
Small bank foundations	18	682,121,805	1.6
<b>Total</b>	<b>88</b>	<b>42,183,240,002</b>	<b>100</b>

**Fig. 2.2** Geographic distribution of Italian bank foundations (<http://www.acri.it>)

In the north of the country, 47 foundations are in operation, with net assets of more than €31 billion (74.7 % of the total). Among them, the large-sized foundations have more than half of the total net assets (€31,077 million of the €42,183 million). In the northwest region, the average net assets are more than twice the average

Table 2.2 Net assets distribution by size and geographic area (ACRI 2013)

	Small		Medium-small		Medium		Medium-large		Large		Total	
	Millions of Euros	N	Millions of Euros	N	Millions of Euros	N	Millions of Euros	N	Millions of Euros	N	Millions of Euros	N
Northwest	155	4	112	1	584	3	750	3	17,224	6	18,825	17
Northeast	118	5	450	4	965	6	2,723	8	8,419	7	12,675	30
Central	337	7	636	7	1,195	7	1,971	5	4,559	4	8,698	30
South and islands	72	2	528	5	300	2	210	1	875	1	1,985	11
<b>Total</b>	<b>682</b>	<b>18</b>	<b>1,726</b>	<b>17</b>	<b>3,044</b>	<b>18</b>	<b>5,654</b>	<b>17</b>	<b>31,077</b>	<b>18</b>	<b>42,183</b>	<b>88</b>
Average	38		102		169		333		1,727		479	479



**Table 2.3** Asset composition (ACRI 2013)

Assets	2012		2011	
	Millions of Euros	%	Millions of Euros	%
Property investments and intangible assets	1,869.0	3.7	1,828.9	3.4
Financial assets	46,863.3	91.9	49,737.2	94.2
Investments in spin-off banks	20,199.8	39.6	21,053.7	39.9
Investments in other companies	4,755.2	9.3	5,062.4	9.6
Investments in instrumental enterprises	907.8	1.8	847.2	1.6
Other financial assets	21,000.5	41.2	22,773.9	43.1
Receivables	627.1	1.2	465.4	0.9
Cash and cash equivalents	1,544.5	3.0	676.4	1.3
Other assets	97.7	0.2	97.8	0.2
<b>Total Assets</b>	<b>51,001.6</b>	<b>100.0</b>	<b>52,805.6</b>	<b>100.0</b>

(€1,107 million of the €479 million), while in southern Italy and the islands, the average (€181 million) is less than half of the total system.

As a result of the different size and geographical distribution, a smaller volume of institutional activity is allocated to southern Italy.

## 2.3 Assets

The funds to be disbursed to the territory derive mainly from the management of foundations' assets. Asset composition is extremely diversified. A synthesis of the main items that compose them appears in Table 2.3.

The total assets of Italian bank foundations (€51 billion) consist of approximately 96 % financial assets. Only 3.7 % is represented by property investments and intangible assets. This is consistent with the notion that foundations do not play a production activity in a narrow sense but rather invest in diverse interest-bearing activities (e.g., financial instruments, banking investments).

Regarding the duration of the investments, approximately 66 % of financial assets are long-term financial investments (€34 billion), while short-term financial assets amount to approximately €12.8 billion.

Both types of investments have undergone significant downsizing that is not related to a reduction of the grant-making activity. Final assets have undergone a significant reduction due to the need for cash to fund capital increases in the spin-off banks. The interconnections between the spin-off banks and bank foundations thus are still relevant.

**Table 2.4** Composition of revenues and gains by type (ACRI 2013)

	2012 (%)	2011 (%)
Spin-off bank dividends	29.1	54.7
Other dividends and interests	46.1	36
Gains and losses of financial instruments	6.9	−43.5
Extraordinary incomes and expenses	17.9	52.8
<b>Total</b>	<b>100</b>	<b>100</b>

### Support for Spin-Off Banks

During 2012, bank foundations provided capital increases to the spin-off banks totalling €1.2 billion.

In addition, they gave up the dividends and subscribed to the convertible debenture loans issued by the major Italian banks.

In this way, bank foundations have continued to support the spin-off banks in moments of great difficulty by allowing them to comply with the capital ratios required by the European Banking Authority. This intervention was enacted to avoid the possibility that banks would have to neglect enterprises and households in terms of credit support.

Since the inception of the international financial crisis in 2008, bank foundations have provided the major national banks with €8.6 billion.

The financial assets in which bank foundations invest their capital are interest-bearing activities that produce a diverse set of revenues and gains. Table 2.4 shows the evolution of the composition of the revenues and gains during the 2011–2012 period.

In 2012, the total ordinary revenues and gains amounted to €1,535.6 million, an increase of 24.1 % compared with the amount from the previous year (ACRI 2013). The return on net assets (ratio of ordinary revenues and gains, net after withholding taxes, to the book value of net assets) went from 2.7 % in 2011 to 3.6 % in 2012 (see Table 2.5).

Dividends and interest earned on investments other than the spin-off banks represented the main source of bank foundations' income (46.1 % of total revenues). Dividends paid by the spin-off banks decreased significantly (€445 million in 2012, €677 million in 2011), though the return on these shares did not change much (2.3 % in 2012, 2.9 % in 2011).

Ordinary and extraordinary incomes and expenses constituted the remaining 17.9 % of the total revenues. This value decreased significantly in 2012, compared with the previous year.

The operating surplus for 2012 amounted to €1,069.7 million, reflecting a significant increase compared with the amount from the previous year (€470.6 million). A part of this surplus was assigned to mandatory reserves. The remaining has been allocated to philanthropic activities.

**Table 2.5** Return on assets  
(ACRI 2013)

	2012 (%)	2011 (%)
Return on net assets	3.6	2.7
Return on financial assets	2.8	−0.3
Return on spin-off banks investments	2.3	2.9

For more information, [Appendix](#) (see Sects. A.1 and A.2) provides the relevant financial statement items for Italian bank foundations, focusing on 2011 and 2012.

## 2.4 Areas and Manner of Intervention in Grant-Making Activity

The operating surplus deriving from asset management activity is used to support activities of collective interest within the eligible sectors designated by the law. The main form of intervention is represented by grants and disbursements, in the form of money that bank foundations allocate to own or third-party projects that have been deemed to be a priority in the interests of local territory.

The reduction in returns of the asset management function, which is the main lever through which the bank foundations achieve their mission, has reduced the total funds available to the grant-making activity. Bank foundations, however, have maintained a high level of disbursements thanks to the efficiency of the management and the ability to draw on the vast reserves they have accumulated over the years to cope in the event of crisis.

In 2012, total funds allocated to grant-making activities amounted to €965.8 million. The number of projects financed reached 22,204, with an average amount per project of €43,496. The rate of grant-making in 2012, calculated in terms of average net assets, was 2.3 %, as in previous year. The total disbursements decreased by 11.6 % compared with the previous year due to the continuing economic crisis.

The reduction was significant but limited due to the use of funds prudently accumulated by foundations during the previous years and allocated to reserves to cope with difficult situations such as the economic crisis.

Table 2.6 shows the allocation of grants by size and geographic distribution of bank foundations.

In addition to the net assets, disbursements are also concentrated in the hands of a few foundations. In 2012, the 18 major foundations alone paid 75.2 % of the available funds, with 41.8 % of the total interventions. In contrast, small foundations provided only 1.6 % of the total funds allocated to the grant-making activity.

The same relationship between net assets and grants is evident in geographic distribution. Again, the foundations located in the south and islands region show the smallest volume of institutional activity.

**Table 2.6** The distribution of grants for Italian bank foundations (ACRI 2013)

Foundation	2012	
	Amount of grants (%)	Number of interventions (%)
<b>Size</b>		
Large	75.2	41.8
Medium-large	13.5	18.8
Medium	6.3	19.8
Medium-small	3.4	10.4
Small	1.6	9.2
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Geographic distribution</b>		
Northwest	42.9	34.0
Northeast	30.3	31.5
Central	23.0	23.6
South and islands	3.8	10.9
<b>Total</b>	<b>100</b>	<b>100</b>

### 2.4.1 Sectors of Intervention

Bank foundations direct their activities exclusively in the areas admitted by law (Article 1 of Legislative Decree no. 153/1999) and give preference to areas with greater social relevance for the territory in which they operate. Each foundation indicates in its statute the relevant sectors in which it preferentially allocates its funds, as well as the other areas in which it has decided to operate.

The choice of sectors for operations highlights the tendency toward a high degree of specialization. Italian bank foundations concentrate more than 70 % of their total funding in four sectors, reflecting the provisions of the law, which requires that foundations allocate the available funds to no more than five significant sectors. The average number of sectors for each foundation is seven (ACRI 2013).

As Table 2.7 shows, most of the grants go to arts and culture, education, social assistance, and research.

#### 2.4.1.1 Art, Cultural Activities, and Heritage

As in previous years, the main sector that receives the allocated funds is art, cultural activities, and heritage, garnering 31.6 % of the total funding in 2012 for a total of €305.3 million. Culture has consistently been a significant area of intervention for bank foundations (Leardini and Rossi 2010). All 88 Italian bank foundations work in this sector. They invest in art, cultural activities, and heritage with the explicit recognition that they are operating in a country whose historical, artistic, and cultural heritage is very important (ACRI 2013).

**Table 2.7** Distribution of grants by sector (ACRI 2013)

Sectors	2012			2011		
	Millions of Euros	%	Number of interventions	Millions of Euros	%	Number of interventions
Art, cultural activities, and heritage	305.3	31.6	7,872	335.4	30.7	9,179
Education, learning, and training	144.8	15.0	3,427	127.0	11.6	4,032
Social assistance	124.5	12.9	2,712	152.7	14.0	2,766
Research	118.5	12.3	1,244	156.3	14.3	1,506
Volunteering, philanthropy and charity	117.3	12.1	2,682	99.2	9.1	2,858
Local development	55.4	5.7	1,379	50.0	4.6	1,451
Health	54.6	5.7	1,129	103.6	9.5	1,048
Environmental protection and quality	18.4	1.9	354	27.7	2.5	426
Family	17.4	1.8	218	27.0	2.5	346
Sport and recreation	8.6	0.9	1,117	12.7	1.2	1,220
Crime prevention and public safety	0.4	0.1	17	0.2	0.0	14
Civil rights	0.3	0.0	35	0.3	0.0	25
Religion	0.2	0.0	18	0.5	0.0	35
<b>Total</b>	<b>965.8</b>	<b>100.0</b>	<b>22,204</b>	<b>1,092.5</b>	<b>100.0</b>	<b>24,906</b>
						<b>100.0</b>

**Table 2.8** Composition of disbursements to arts and culture (ACRI 2013)

Subarea of intervention	2012			
	Millions of Euros	%	Number of interventions	%
Conservation and enhancement of architectural and archaeological heritage	83.7	27.4	974	12.4
Artistic and literary creation and interpretation	80.6	26.4	2,101	26.7
Museums activities	31.4	10.3	376	4.8
Visual arts	14.9	4.9	345	4.4
Libraries and archives	6.2	2.0	212	2.7
Publishing and other means of mass communication	5.8	1.9	382	4.9
Other cultural and artistic activities	35.7	11.7	2,335	29.7
Not classified	46.9	15.4	1,147	14.4
<b>Total</b>	<b>305.3</b>	<b>100.0</b>	<b>7,872</b>	<b>100.0</b>

Table 2.8 shows the composition of disbursements that go to the art and culture subareas of intervention.

As Table 2.8 highlights, bank foundations operate mainly to conserve and enhance Italy's architectural and archaeological heritage, through the restoration of historical centers, urban renewal, and other restoration efforts. More than 27 % of the funds available for the sector were allocated to this subarea (€83.7 million of the €305.3 million).

Another important subarea is represented by initiatives to support the creation and interpretation of art and literature. These disbursements go to private individuals who engage in various forms of artistic expression, such as music, dance, theater, and literature. Bank foundations allocate an average of 26 % of their art and culture funds to this area.

The remainder of the funds goes to activities, visual arts, libraries and archives, publishing and other means of mass communication, and other residual cultural and artistic activities.

#### 2.4.1.2 Education, Learning, and Training

Since their initiation, bank foundations have financed and promoted education, learning and training initiatives. They complement public action and serve a key function in promoting and implementing relevant initiatives, in cooperation with the government and public administrations.

As of the end of 2012, the education sector was the second most funded area, receiving €144.8 million (15.0 % of the total). Table 2.9 shows the composition of disbursements that go to the education-related subareas of intervention.

University education has consistently been a significant area of intervention for bank foundations. In 2012, it represented the main subarea within the sector, with

**Table 2.9** Composition of disbursements to education, learning and training (ACRI 2013)

Subareas of intervention	2012			
	Millions of Euros	%	Number of interventions	%
University education	52.4	36.2	391	11.4
Primary and secondary school education	35.7	24.6	1,474	43.0
Professional training	24.1	16.7	417	12.2
Young education	8.8	6.1	478	13.9
Not classified	23.8	16.4	667	19.5
<b>Total</b>	<b>144.8</b>	<b>100.0</b>	<b>3,427</b>	<b>100.0</b>

€52.4 million (36.2 % of the amounts allocated to the sector). Primary and secondary school education, involving 1,474 projects, received €35.7 million.

### 2.4.1.3 Social Assistance

In 2012, social assistance was the third sector of intervention, receiving €124.5 million (12.9 % of the allocated funds).

The name of this field is intentionally broad. It includes several lines of action through which foundations support citizens in conditions of difficulty or at risk of social exclusion: integration of the disabled, protection for the non-self-sufficient elderly, child protection, and recovery and reintegration for the most socially disadvantaged people exposed to forms of marginalization and abuse. Working in this sector, bank foundations implement the principle of horizontal subsidiarity provided for by the Italian Constitution. Their funding does not replace state intervention but rather cooperates with public and private entities to carry out integrated projects that are of importance to the local community.

Table 2.10 shows the composition of disbursements that go to social assistance subareas of intervention.

Within this sector, the main subarea of intervention is represented by social services, garnering 90 % of the total amount paid in the sector. In most cases, these services help disabled people (42.7 %), the elderly (19.6 %), and children (14.5 %) in the capacity of home services, host infrastructures, and measures to support families, among other activities (ACRI 2013).

Civil protection services and assistance to refugees and displaced people cover the remaining 3.6 % of the total grants in the social assistance sector.

### 2.4.1.4 Research

As of the end of 2012, the research sector was the fourth-most funded area, with €118.5 million (12.3 % of the total). The commitment of the foundations to the research sector has been reflected in various areas of intervention.

Table 2.11 shows the composition of disbursements that go to subareas of the research sector.

**Table 2.10** Composition of disbursements to social assistance (ACRI 2013)

Subarea of intervention	2012			
	Millions of Euros	%	Number of interventions	%
Social services	112.0	90.0	2,178	80.3
Civil protection, assistance to refugees and displaced persons	4.4	3.6	178	6.6
Not classified	8.0	6.4	356	13.1
<b>Total</b>	<b>124.5</b>	<b>100.0</b>	<b>2,712</b>	<b>100.0</b>

**Table 2.11** Composition of disbursements to research (ACRI 2013)

Subareas of intervention	2012			
	Millions of Euros	%	Number of interventions	%
Natural sciences and technology	35.8	30.2	285	22.9
Research and development in the medical field	14.8	12.5	164	13.2
Research in the field of social sciences	3.3	2.8	147	11.8
Other research fields	33.9	28.6	440	35.4
Not classified	30.6	25.9	208	16.7
<b>Total</b>	<b>118.5</b>	<b>100.0</b>	<b>1,244</b>	<b>100.0</b>

Among the specific fields of research, 30.2 % of the funds went to the subarea of natural sciences and technology. Following this, research and development in the medical field and research in the field of social sciences received 12.5 % and 2.8 %, respectively, of the amounts allocated to this sector.

The most common types of intervention in the sector (62.2 % of the funds provided in 2012) are funding of specific projects at research institutions, both public and private (ACRI 2013).

## 2.4.2 Manner of Intervention

In general, foundations operate in different forms and have different ways to answer the needs of individuals and socioeconomic territory.

According to the usual distinction proposed in literature (Anheier 2001; Bulmer 1999; Karl and Katz 1987; McCarthy 1989), foundations may be classified as grant-making or operating foundations. In the former case, they are gift givers that deliver financial contributions to a third party; in the latter case, they directly define and implement projects and programs and assume responsibility for project design, planning, and operational implementation of their own projects.

Such modalities of interventions are often mixed within the same foundation, although it is possible to identify a prevalence of a particular kind. Anheier (2005) highlights that in Austria, Belgium, Norway, and Turkey, the majority of foundations



are of a mixed type; in France, Greece, and Spain, operating foundations are the dominant type; and in Canada, Britain, Germany, the Netherlands, and the United States, grant-making foundations are the dominant type.

As foundations in general, Italian bank foundations may have a diverse morphology. In the initial phase of development, Italian bank foundations were grant-making institutions. After the separation of the credit business from philanthropic activities, they essentially became charities that disbursed contributions to those who required them.

The grant-making model presents a set of advantages extremely useful for these new entities (Tieghi 1995): It requires minimal organizational structure, and it is not necessary to make considerable investments.

Even now, the grant-making activity is still prevalent in Italian bank foundations, but with some “corrections” compared with the past. First, funding is allocated after careful selection of applications, especially in light of the possible impact on socioeconomic development. Second, bank foundations are more involved in the definition of strategic and programmatic elements of third-party projects.

At the same time, however, the number of own projects has increased, becoming a priority point of action for bank foundations (Boesso et al. 2011). This changing model highlights the proactive role that foundations play within a territory (Anheier 2001). In this way, the foundation develops a sort of entrepreneurial management style and a high degree of expertise (Anheier and Leat 2002), which favors diffusion of an entrepreneurial culture (Beyer 1999; Leat 1999) within bank foundations.

Despite the prevalence of grant-making activity over operating activities, Italian bank foundations’ typical manner of intervention is an integrated mix of the two approaches (grant-making and operating). It should also be noted that bank foundations can operate in a third way, through instrumental enterprises. These are companies carried by foundations that operate exclusively for the direct implementation of the statutory purposes in the relevant sectors. Although foundations, in general, may not engage in business activities, exceptions are made in such cases when business activity is strictly instrumental to the achievement of institutional goals in the relevant sectors.

As Table 2.12 shows, grant-making activity in 2012 remains the prevalent model (86.3 % of total disbursements in 2012) and is more prevalent in large-sized foundations (90.6 %). In contrast, small-sized foundations tend to engage in the largest number of own projects (21.5 % compared with an average of 9.4 %). Instrumental enterprises prevail in medium- to large-sized foundations (15.2 % compared with an average of 4.3 %).

Projects directly controlled by the foundations thus have increased in amount (9.4 % in 2012, 7.9 % in 2011) and contribute to support organizations that already are operating in the community.

**Table 2.12** Funding by size and manner of intervention (ACRI 2013)

Foundations	2012		
	Grant making (%)	Own projects (%)	Instrumental enterprises (%)
Large	90.6	7.1	2.3
Medium-large	65.2	19.6	15.2
Medium	87.4	10.6	2.0
Medium-small	78.8	14.0	7.2
Small	72.2	21.5	6.3
<b>Total</b>	<b>86.3</b>	<b>9.4</b>	<b>4.3</b>

**Table 2.13** Funding by size and involvement of other parties (ACRI 2013)

Foundation	2012	
	Individual disbursements (%)	Pooled disbursements (%)
Large	84.5	15.5
Medium-large	94.6	5.4
Medium	87.3	12.7
Medium-small	93.3	6.7
Small	94.9	5.1
<b>Total</b>	<b>86.6</b>	<b>13.4</b>

### 2.4.3 Collaboration with Other Entities

Bank foundations can operate autonomously or in partnership with other organizations (pooled disbursements). Such partnerships can take on various combinations of local, public, and private actors, which increases the value generated by their action and gives rise to significant synergies.

These partnerships combine the interests and funds of different entities and favor the development of articulated and wide-ranging projects. During the past few years, particular emphasis has been placed on long-term projects realized in conjunction with other bank foundations, favoring a process of rationalization of interventions. Table 2.13 highlights the distribution of projects, along with the involvement of other parties in 2012.

In 2012, 13.4 % of the total projects involved bank foundations and other entities such as government, religious institutions, nonprofit organizations, and foundations. Large foundations in particular collaborated with other organizations, providing 15.5 % of their funds to pooled disbursements. In the most common cases (39.6 % of cases), the partners are public institutions (ACRI 2013).

### 2.4.4 Beneficiaries

The ultimate recipients of bank foundations' activities are citizens. However, they are not the direct beneficiaries of the foundations' grants. These funds are assigned

**Table 2.14** Funding by beneficiaries type in 2012 (ACRI 2013)

Foundation	Private sector			Public sector		
	Foundations (%)	Associations (%)	Other private entities (%)	Non territorial public entities (%)	Local authorities (%)	Other public entities (%)
<b>Size</b>						
Large	34.1	11.7	24.3	10.8	17.4	1.7
Medium-large	20.3	9.0	36.2	15.3	15.0	4.2
Medium	25.7	11.0	29.6	12.0	20.0	1.7
Medium-small	26.5	9.2	32.6	11.9	17.9	1.9
Small	11.5	12.6	41.4	8.5	24.7	1.3
<b>Total</b>	<b>31.5</b>	<b>11.3</b>	<b>26.4</b>	<b>11.4</b>	<b>17.4</b>	<b>2.0</b>
<b>Geographic distribution</b>						
Northwest	37.6	17.3	20.5	11.2	12.5	0.9
Northeast	29.3	5.1	31.1	12.0	20.9	1.7
Central	22.9	5.5	31.7	8.3	25.6	6.0
South and islands	11.3	15.1	38.6	21.4	13.0	0.6
<b>Total</b>	<b>31.5</b>	<b>11.3</b>	<b>26.4</b>	<b>11.4</b>	<b>17.4</b>	<b>2.0</b>

to individuals or organizations (e.g., associations, museums, local authorities, religious institutions), which in turn play a “brokering” role between the bank foundation and the territory.

In this way, a principle of horizontal subsidiarity is realized (Article 118, paragraph 4, of the Italian Constitution), in which bank foundations support the work of other organizations that in turn foster the cultural, social, and economic growth of the territory.

As Table 2.14 shows, the beneficiaries of grants received are both public entities (e.g., local authorities, schools, universities) and private nonprofit organizations (e.g., associations, foundations, religious institutions). It follows that Italian bank foundations are nonprofit institutions required to finance other nonprofit entities.

As Table 2.14 shows, the private sector received the largest part of the sums paid (69.2 % in 2012). Foundations (not those of banking origins) and associations were the main beneficiaries in 2012 and received, respectively, 31.5 % and 11.3 % of the disbursed amounts. The foundations were financed especially by large bank foundations concentrated in the northwest region of the country, which created some of the main instrumental foundations operating in Italy. Disbursements paid to associations were weighted equally for both large and small bank foundations.

The public sector received the remaining 30.8 % of disbursements. The nonterritorial public entities (e.g., schools, universities, local health organizations) and local authorities (e.g., municipalities, provinces) are the privileged partners of the bank foundations. In 2012, they absorbed, respectively, 11.4 % and 17.4 % of the sums paid.

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