

Philanthropy and Democracy: Challenges and Opportunities for Foundations in the 21st Century



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Editorial

Today's world faces complex challenges, from climate and humanitarian emergencies to growing inequalities and global health crises. In this context, philanthropy has a central role to play in helping to solve these major problems, while working towards a fairer, more inclusive society and a more sustainable planet. However, in order to be effective and consistent with the values it upholds, philanthropy must be able to question its place and role, whilst adapting to a constantly changing environment.

Because we believe it is essential to reflect both critically and constructively on philanthropic action in our societies, we have decided to dedicate the second edition of our collection ‘Philanthropy and Society’ to the relationship between philanthropy and democracy. We set out to examine the role of foundations in society, their democratization, and the interactions that the sector holds with government and non-profit organizations around common challenges.

To this end, we entrusted this work to two scholars: Nicolas Duvoux, a French-based sociologist who provides a thorough understanding of philanthropy in France, and Sylvain Lefèvre, a political scientist offering a much-needed international perspective on the issue. We hope this study will complement ongoing discussions in the field and provide new insights through its social science lenses.

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This study, commissioned by Fondation de France's Observatory of Philanthropy, was conducted by two independent researchers. Ten years of investigations into and alongside foundations have culminated in the main findings of this study. This work provides an impartial review of the central and complex issues faced by philanthropic organizations in France. Its aim is to assist foundations in making sense and taking ownership of issues inherent to the definition of philanthropy's role in democracy and of democracy's input into philanthropy.

Introduction

One cannot talk about philanthropy and democracy without addressing the tension between the private origin of philanthropic capital and the public interest it purports to serve. This tension, which takes a plurality of forms, is part and parcel of the contemporary history of philanthropy. In different social and historical contexts, depending on how a donation is made, a grant is allocated, and the donor and donation are weaved into a narrative, a philanthropic act can either lead to praise or criticism. The meaning, scope and recognition of a philanthropic act elude in large part the will of the donors and the designs of foundations. We therefore assume that a philanthropic act cannot be extracted from its social setting. The latter may imprint on the former an unanticipated meaning, either productive or counterproductive. For instance, the large donations by wealthy philanthropists to rebuild Notre-Dame de Paris collided with a socio-political context of mounting inequality as epitomized by the Gilets Jaunes protests (Lefèvre et Monier, 2021)¹.

Therefore, it is necessary to raise the question of the **democratic legitimacy of foundations in the 21st century. In a world beset by the climate crisis, mounting income and wealth inequalities, and mounting political distrust towards representative democracy, what should be the proper role, methods of action, and purposes of foundations?** How should private philanthropic capital be directed, and what influence should private donors have in the distribution of this capital to contribute to matters of public interest? How should we balance individual capital allocation decisions against the requirements of equal participation to best preserve the public interest?

¹ A donation can even be delegitimized ex post facto following a reversal of circumstances. The example of the Louvre Museum comes to mind. A wing of the museum named after the Sackler family in 1996 in recognition of a generous donation was rechristened in 2019, after the family was accused of profiting off the sale of the painkiller OxyContin involved in the US opioid crisis.

The plurality of philanthropy: an overview of two centuries of philanthropy in France

Democracy necessarily implies the rule of law and the expression of the public will by direct or indirect vote. It also implies that equality should be at the center of society's decision-making processes. However, equality has evolved alongside a range of standards. The interpretation of equality in the 21st-century differs from how it was interpreted in the 20th-century. **Contributing to democracy means taking part in satisfying expectations of equality and bolstering trust in institutions.**

In this study, philanthropy is defined as the irreversible allocation of capital by a company, an individual, or an organization to a project of public interest. Philanthropy, the 'love for mankind' in its etymology, is therefore understood as a well-defined, tried-and-tested institutional practice that has been the object of multiple appropriations over time. These appropriations have given rise to, and continue to give rise to, wide-ranging debates on the very principle of philanthropic actions, as well as on their modalities and meanings.

While noting the diversity of the philanthropic field, the authors of this paper focus on foundations, and especially grant-making entities as the most popular variants of philanthropy in France².

² Two types of foundation exist. Operative foundations direct actions of public interests. Grant-making foundations provide funding and support to projects led by public-minded organizations through grants, endowments, etc.

Philanthropy comes in multiple forms. In times past and present, philanthropy has been claimed by a diversity of actors contributing to its variety. In France, the multiple meanings of philanthropy emerged at the end of the 18th century. In this pivotal period, which saw the emergence of democracy and human rights, philanthropy served as the medium for the creation of progressive constituencies and their affirmation, crowned by the French Revolution of 1789. A patriotic and popular claim on philanthropy gave way, in the first half of the 19th century, to the tandem of philanthropic and liberal values. To liberal aristocrats and to the industrial and merchant new bourgeois classes alike, philanthropy at the time of the "Restoration" was the outlet for the affirmation of a legitimacy distinct from and opposed to universal suffrage. The elites thus demonstrated their "capacity" - a blend of knowledge, competence and authority - through effective philanthropic involvement (Mitsushima, 2014). On the other hand, catholic organizations carried out a political project aimed at preventing state intervention in the social sphere (Bréjon de Lavergnée, 2017). The plurality of claims on philanthropy also highlights the multiplicity of its motives across time. Philanthropy has thus been characterized, among other things, by a belief in reformism, assistance to those in need, and science. At the end of the 19th century, republican reformists, who made philanthropy the crucible of political and social consensus, were able to transcend the ideological divide and erect the "nouveau régime" (Topalov, 1999). Today, the wealth of applications and values of philanthropy emerge in a plethora of forms, from support for entrepreneurs to more radical transformative agendas.

Philanthropy tested by democracy

In order to discuss the role of philanthropy, we have decided to structure this paper around three key factors: how philanthropy relates to inequalities, to the state and civil society, and, lastly, to the founders' power.

Three dynamics place philanthropy in tension with the conditions under which it is exercised, on the one hand, and its vocation to strengthen the public good, on the other. Firstly, wealth is increasingly concentrated and inherited. When discussing large donors, it is thus fair to question whether philanthropy plays a role in the privatization of the public good or whether it promotes a just society. **How can a fairer society be built out of an increasingly unequal distribution of wealth?**

Secondly, philanthropy differs from the marketplace and the state by its innate latitude and ability to innovate and plan for the long term, free of the constraints of consumers and voters. **Should this be used to contribute to or to question the actions of public authorities? How does philanthropy interact with public authorities? Are donations and the public support they benefit from justified on the grounds of ethics or efficiency?**

Thirdly, a donation is as much the mark of generosity as it is the affirmation of power; yet, power needs to be democratized. Today, a range of democratization strategies are under discussion. How should we democratize philanthropy's public capital (not only taken as financial stock, but also a set of competences, expertise, and networking assets)? **Which strategy is the most effective at democratizing the sector?**

To answer these questions, this study brings together historical analyses and fieldwork conducted on and in collaboration with philanthropic organizations in France, Quebec, and the USA. Drawing on scholarly resources,

this study is enriched by the insights and practical experience of the foundations that have participated in research.

In the first section, the example of John D. Rockefeller, one of the earliest major philanthropists of the 20th-century, will introduce the debate on the challenges of giving from a very specific, American context, which nevertheless opens the way for a reflection on philanthropic challenges globally. The second section will focus on the role of philanthropy in societies currently fraught with social and environmental crises. The third section will address the relationship between philanthropy, the state, and civil society. The roles held by foundations give rise to much debate and controversy. To delineate the legitimacy of foundations and the conditions in which they emerged and became established, these interconnections, both distant and intimate, require a thorough examination. The fourth section will outline possible avenues for the democratization of philanthropy's common capital. We will then conclude with an analysis of the requirements foundations should meet to be efficient and legitimate players in the 21st century's social and environmental transition.

1

The Rockefeller Foundation: a century of U.S. philanthropy

The U.S. model is undoubtedly not the only touchstone of French philanthropy. Despite the different histories, cultures, and preponderance of philanthropy in society, when the two are viewed in comparison it can refine our understanding of how philanthropy contributes to democracy and how it undergoes democratization. The Rockefeller Foundation can indeed help us make sense of contemporary debates and issues. In the space of a century, North American philanthropy has moved from a position of criticism toward the arbitrary power of the first general-purpose philanthropist, John D. Rockefeller, to a critical self-examination, which is to be found in the final section of this study, through the example of Québec.

1.1 From controversial genesis to international expansion

At the end of the 19th century, John D. Rockefeller became the richest man in the world by creating the Standard Oil Company, the world's largest oil company, driven by the energy needs of the Industrial Revolution and by the takeover of its competitors. In 1911, the U.S. Supreme Court ordered the dissolution of Standard Oil in application of the Sherman Antitrust Act on the grounds of constitutionally protected freedom of commerce. This judgment would eventually spawn a plethora of companies, including Chevron, Mobil, and Exxon (the two merged in 1999). At the time, the provenance of J.D. Rockefeller's fortune and his monopolistic and anti-union practices earned him vehement opposition. The dangers posed by the concentration of his wealth elicited widespread suspicion, including among the highest spheres of government. U.S. President William Taft urged Congress to block the establishment of the Rockefeller Foundation, arguing that it would amount to giving Rockefeller the opportunity to "incorporate himself" (Reich, 2018, p. 4). Others objected to the very form of the perpetual foundation: "[Foundations] were troubling because they were considered a deeply and fundamentally *antidemocratic institution*, an entity that would undermine political equality, convert private wealth into the donor's preferred public policies, could exist in perpetuity, and be unaccountable except to a handpicked

assemblage of trustees" (Reich, 2018, p. 5). It is in response to these criticisms that, over the course of the twentieth century, several mechanisms emerged in most Western countries to form compacts between states and foundations: **restrictions on the causes supported by foundations, the capping of donations, or an obligation on foundations to spend part of their capital annually.**

In spite of the growing resistance, thanks to his oil fortune, John D. Rockefeller successfully managed to establish the Rockefeller Foundation in 1913, which was committed to "promoting the well-being of humanity throughout the world". It would take an active part in large-scale public health programs, such as campaigns against tuberculosis in France during the inter-war period (Tournès, 2007) or the "green revolution" in the middle of the 20th century. The latter aimed to curb food insecurity in low-income countries by promoting industrial farming methods and increasing crop yields through the introduction of high-yield cereal strains and the adoption of technology and chemical inputs. The inroads against malnutrition secured 70 years ago through the widespread use of pesticides would impose severe costs on the environment, the consequences of which still endure to this day.

1.2 A controversial legacy: Rockefeller and fossil fuels

A century after the establishment of the Rockefeller Foundation, the announcement by the heirs of the Rockefeller family of their intention to divest from fossil energy and combat climate change led to much public debate. The Rockefeller Brothers Fund (RBF) and the Rockefeller Family Fund, established in 1940 and 1967 respectively with the proceeds of the family's wealth, announced the liquidation in 2014 and 2016 of the totality of their stakes in ExxonMobil. It is noteworthy that RBF had taken an interest in the issue of climate warming since 1986 and has funded climate programs since 2005. As the RBF president Stephen B. Heitz commented in 2020: "We were extremely uncomfortable with the moral ambivalence of funding programs around the climate catastrophe while still being invested in the fossil fuels that were bringing us closer to that catastrophe" (Washington Post³)

More importantly, the heirs of Big Oil condemned the moral failure of ExxonMobil. In 2015, Journalists with Inside Climate News, a news organization focusing on environmental journalism funded in part by RBF, accused

ExxonMobil of concealing knowledge about the adverse effects of greenhouse gas emissions on the environment in its possession since 1977, and of launching a campaign to mislead the public on the nature and the causes of climate change. The Rockefeller heirs would go on to lead a large-scale awareness campaign to urge institutions like universities and other non-profits holding securities, to divest as much as possible from fossil fuels⁴. Beyond the moral argument, they could also point to the profitability of their fund since the divestment.

Opting for another strategy, the Rockefeller Foundation pioneered the *Resilient Cities* program, which, starting in 2013, has established resilience offices in over one hundred municipalities throughout the world. In its 2020 strategy, it announced a transition away from fossil fuels and towards renewable energy.

³ Mufson S., 2020, « Rockefeller heirs to Big Oil find dumping fossil fuels improved bottom line », The Washington Post, 9 mai. <https://www.washingtonpost.com/climate-environment/2020/05/09/rockefeller-heirs-big-oil-find-dumping-fossil-fuels-improved-bottom-line/>

⁴ According to the environmental group 350.org, more than 1.500 institutions with assets of over \$40bn had committed to divest from their fossil fuel stocks. (<https://350.org/about/>, viewed on September 5; 2023).

1.3

Family story or harbinger of 21st-century philanthropy?

The history of the Rockefeller dynasty can be painted as a moral inquiry into the fate of inherited wealth and the duty conferred on the heirs by their privilege. A number of the Rockefellers are weary of the critical review of family wealth, while others claim that J.D. Rockefeller would have been in support of investing in sustainable and renewable energy if he were alive today. Other members of the family emphasize that loyalty to their dynasty means ensuring that future generations of Rockefellers can thrive in a livable world.

The saga of Big Oil also reflects the tribulations of an oil-fueled society facing a climate catastrophe during the 20th and 21st centuries. The worldwide involvement of financial institutions in the fight against climate change is not only on the agenda of foundations but also, more critically, of institutional and private investors, who are pushing for environmental, social, and governance (ESG) requirements and impact investments. **The Rockefeller foundations are therefore embedded in a trajectory and an institutional framework that dictate the terms and requirements of accountability to society and public authorities.**

Upon closer inspection, a multitude of foundations have a similar legacy. Firstly, many were built on fortunes resulting from industrialization, at the cost of the immense environmental and social challenges we see today. Secondly, unless their capital is properly aligned with their mission, foundations are bound to be ineffective — as their capital greatly surpasses the yearly donations they receive— if not, in S. Heintz's terms, morally ambivalent. Lastly, as foundations draw part of their legitimacy from their ability to innovate, they currently play a major role in the creation and piloting of new financing mechanisms aimed at supporting a fair social and environmental transition.

Beyond the ability to turn private wealth into public capital, the legitimacy of foundations in the 21st century stems in equal part from the way they distribute donations and how they invest their capital. Without delving into specific national laws, a financial donation must meet two basic requirements to be formally recognized by the state: 1) the donation must be an irrevocable transfer of an asset from one party to another; 2) it must contribute to a collective issue of public interest (referred to as *intérêt général* in France).

Philanthropy **could be equated with the very idea of the 'commons'**. This was the term that the economist Elinor Ostrom used to lay out the management of natural resources through forms of collective ownership in her groundbreaking book *Governing the Commons*. Yet, philanthropic practice has long assumed an individualized character, as philanthropists selected their preferred "causes" and allotted donations at will. In the past, they examined the moral rectitude of individuals and groups, whereas nowadays, it is standard to consider the grantees' track record of sound, effective, and measurable fund management. In France, the obligation to have a ratio of state representatives on the boards of *Fondations Reconnues d'Utilité Publique* (Foundations of Public Benefit) has added an extra layer of control on how donations ought to be allocated. Today, all foundations, irrespective of their legal status, are governed by oversight and audit mechanisms, as well as fund management best practices. Screening committees have been instituted within foundations to shortlist projects and ensure that project selection and resource allocation are carried out in a democratic fashion. This is a topic that will be further examined in the fourth section of this study. In the next section, we will outline the main practical challenges faced by foundations in the current context marked by numerous crises.

2

Philanthropy and democracy in a multi-crisis era

Philanthropy and democracy are marked by a structural tension. Enabled as it is by the accumulation of private wealth, philanthropy has an intricate, even paradoxical, relationship with the egalitarian ideals of democracy. This structural tension is further amplified by contemporary trends of increasing inherited wealth and diminishing self-made fortunes. The growing influence of 'super' or indeed 'mega' donors in philanthropic projects is a case in point. The era of American mega-philanthropists, though unmatched in France, leads us to question the compatibility of philanthropy with democracy and examine the limitations of philanthropic giving at scale. This section will first tease out some key dimensions of the contemporary socio-political context and then define the contours of philanthropy's role and place in it.

2.1

Looming global challenges

As private funds dedicated to the public good, foundations are rooted in a societal and environmental context marked by overlapping crises (economic, geopolitical, environmental, social, and public health). This poses an existential threat to democracy. Restrictions on public liberties are increasing, including in age-old democracies, while the environmental crisis casts doubt on predominant economic and, more generally, social models. Philanthropic initiatives, whether isolated or coalition-based, seek to remedy these problems and encourage us to consider the state of the world, while at the same time attempting to shed greater light on practices within their own sector.

As sociologists Marc-Olivier Déplaudé, Thomas Depecker et Nicolas Larchet (2018, p.16) have stated:

“Philanthropy does not destroy wealth or redistribute it like the welfare state: far from being anathema to wealth accumulation, it is both its proceed and driver, as it enables the conversion of monetary capital into other assets (social, cultural, scientific, political, etc.) crucial for capital reproduction and sheltered from taxation.”

Properly understood, philanthropy is by default based on a given social status quo and on the possibility of accumulating significant wealth, the excess of which can be given away to support the public interest, i.e. to **transcend narrow individual interests and further the public good.** It is this approach, albeit rather vaguely defined in legislation on philanthropy, that is used to justify the tax credits extended to philanthropists. As

such, philanthropy is considered an alternative means of furthering the public interest. We therefore must examine, without exaggeration or obfuscation, the tension between the idea of a privately funded public good and democracy, which, even in its most basic form, requires the involvement of the whole population in defining the public good.

There is a marked tension within democracy between high levels of knowledge inequality and the need for the public to be involved in decision-making and electoral processes. This antagonism, which became more apparent than ever in 19th-century France prior to the introduction of universal access to education, was theorized by Pierre Rosenvallon as an opposition between ‘rationality’ and the ‘majority of voices’. Progressive philanthropy fell squarely within the definition of rationality, exercising on behalf of the ‘capacity’ of the elites. Although philanthropy was transformed by the expansion of the French public system in the second half of the 20th century, this tension is now re-emerging for a variety of reasons. These factors are directly related to the democratic crisis in France and other established democracies that have been dragged into the mire as a result of collective decisions (Brexit, the election of Donald Trump, etc.). Among these reasons one must also consider the fact that political choices and globalization have resulted in wide-ranging socio-economic change, opening up a vast rift between the upper classes, who have been able to benefit from the new order, and those who have borne the brunt of it (unemployment, poverty, etc.). In the U.S., the middle class has been eroded; in the UK, the gulf between London and the rest of the

country has grown; in France, the yellow vests movement has revealed the discontent of the middle class, which aside from perceiving a loss of status also feels that it is poorly represented. The magnitude of inequality is reflected in current threats to democracy.

Within this context, it is necessary to fully acknowledge the complexity of all the factors at play and the specificity of each national context. **Yet, there is no denying that mounting inequality and wealth concentration are driving this frustration and defiance.** This concentration of wealth is even more difficult to reconcile with the core tenets of democracy given the fact that it is increasingly inherited, as opposed to being saved or “earned” as a result of innovation or entrepreneurial initiative (in France, the percentage of total wealth that was inherited has risen from 35% in 1970 to 60% in 2021, cf. Insee, 2021). This situation clashes with popular views crystallized by higher educational attainment and loftier democratic aspirations.

2.2

Philanthropy's response to these global challenges

Philanthropy cannot afford to ignore these trends for at least two reasons. The first of these is the fact that philanthropic leaders are increasingly calling for the democratization of their own foundations. This is evidenced by a shift in priorities, such as ensuring greater equality between philanthropic organizations and supported non-profit organizations, and even the direct inclusion of beneficiaries in the decision-making process. However, an analysis of philanthropic organizations reveals a multitude of issues: these include the importance of contributions made by “large” and “small” donors, the goals that the board should pursue, the differing perceptions among staff of the major issues at hand, the necessity for foundations to work with each other in spite of the fact that they are essentially “competitors”, etc.. Foundations, therefore, can and must play a mediating role between donors and recipients, parties whose spheres of social influence are far removed from one another. This development is leading to a reemergence of the structural tension between the concentration of wealth in the hands of a small minority and popular aspirations of democratic participation. According to one fund-raising manager, very affluent families hold the key to the future sourcing of financial contributions.

Secondly, philanthropy cannot dismiss these trends because one of the primary, self-declared motivations given for philanthropic engagement is the realization that there is an inequality in peoples' destinies, whatever the circumstances may be, or the feeling that they have been privileged by birth or their professional life. As outlined by this manager, who is an ex-consultant for an international firm and was a member of the firm's corporate foundation before establishing his own, the most privileged cannot ignore societal issues:

“Those companies that have successfully navigated the storm strongly feel they cannot stay in their ivory tower. This explains the flurry of CSE policies sweeping across the corporate world, though they very much span the spectrum from sincerity, to window dressing or green washing. We cannot live in economies that provide a living wage to fewer and fewer people in the West and ignore the looming inequality.”

This excerpt shows how philanthropic organizations address issues of inequality and social justice. This is an interesting point, as philanthropy often stands accused of giving economic “winners” an opportunity to purchase a clear conscience. What is striking here is the entrenched link between inequality and redistribution. In the 1980s, companies started supporting specific causes to contribute to solving major issues. This initial effort breathed new life into French philanthropy, which flourished in the 1990s and especially in the 2000s. Philanthropy includes individual contributions, large and small, which share, promote, and act on a concern for the public interest (Rozier, 2018).

A series of philanthropic initiatives have supported cultural programs that could not have survived in current market conditions (the rise of baroque music and the revival of old instruments supported by corporate foundations are good examples of this); others have striven to solve redistribution problems by bolstering market mechanisms. This “philanthrocapitalism” (Bishop et al., 2008; McGoey, 2012), based on the conviction that the problem lies in a lack of or imperfect competition, aims to promote the free market and give marginalized groups the opportunity to join it through mentoring, education, or technological fixes.

However, in the context of rising disparities in living outcomes, **philanthropy cannot be effective if it does not address the issue of inequality. The philanthropic mission calls for a serious examination of the distribution of wealth and resources.** This is most evident in the traditional conception of philanthropy. The ecological transition should also cause us to reflect on an important point: how can we protect the planet without placing a burden on those who not only have little means of adaptation, but who are also less responsible for climate change? These are issues that philanthropy is increasingly required to grapple with. Let us look at two examples of how these issues were considered and how the considerations were transformed into action.

2.3

Two transformative approaches: *Un monde par tous* and *Daniel et Nina Carasso Foundations*.

Some foundations, like *Un monde par tous* (UMPT), founded by Patrick Lescure in 1996, chose to confront these structural issues head on and questioned the rationale of their own actions. This view, and especially the level of redistribution, which represents almost the entirety of all dividends borne by the organization's capital, is far from being general practice. The boldness of this "rebellious heir"⁵ notwithstanding, this approach sheds light on a tension that underpins all philanthropic actions: although they are at core private initiatives they are aimed at the public realm and at involving the many in the creation of a common good. The foundation's presentation states the following:

"Un monde par tous was created to utilize, in the fairest and most efficient way possible, the majority of the proceeds of a significant family inheritance (SEB Group's patronage initiatives) to the benefit of the public good (...). Initially, the foundation supported projects related to the promotion of human rights, the advancement of peace, assistance to the marginalized, and the promotion of alternative development models. For the last 10 years, it has supported initiatives that provide alternatives to the predominant global system that is responsible for all forms of inequality and the progressive destruction of the planet. Along with its peers, UMPT is exploring the role of foundations in the transition from a system based on exploitation, growth and the enrichment of the few towards societies centered on solidarity, peace, the common good, and the environmental and social well-being of all."

Patrick Lescure clarified his views in a seminar for the *Philanthropy and Social Sciences Program*⁶. He described himself as the heir to an industrial dynasty. As the guardian of his family's memory, he does not hide his high regard for his father, a devout Christian and entrepreneur, who built a leading corporate group in France. The wealth of Patrick Lescure and his siblings soared after the family company went public. At the time of its establishment, the foundation's endowment was "the stock dividends transferred to *Fondation de France*, amounting to half of the family capital. Today, this has grown to three fourths." He stresses that the reason he gives away a considerable part of his wealth is not to fix the socio-economic failings of the current system, but to transform it. "Our aim is not to help people integrate into the world in its current state, but to support the men and women who are committed to radically changing it." In practical terms, UMPT funds scores of non-profit organizations dedicated to fighting against the destruction of the environment, social inequality, and advocate for better policies for those in need and migrants. It also funds activities that directly challenge social structures that perpetuate gender inequality, the legacy of colonization, etc. In his view, private capital has a duty to redress the public consequences of violence exercised by society.

The adoption by UMPT of an agenda calling for the complete overhaul of the prevailing social and economic order may seem unconventional. **Yet, a section of philanthropy has always differed from charity due to its determination to cure the root causes of social ills in a scientific manner. Within this perspective, the contemporary philanthropic landscape is witnessing an increased desire for radical transformative action and a long-term strategy.** *Fondation Daniel et Nina Carasso* established the "French Coalition of Foundations" and the movement #FundacionesPorEIClima in Spain. When asked about the goal of this coalition, the former executive director of the foundation, Marie-Stéphane Maradeix, described as follows the aim of the coalition, which is intended to bring about a shift in both the scale and approach of their work:

"To help foundations raise more funds for these issues, we have to stop thinking that the environment, education and health are separate from climate change and to instead consider climate as an overarching issue."

The scale of the changes caused by the climate crisis has also encouraged many foundations to move away from project-oriented activities towards more integrated, coalition-based strategies. Philanthropy hence assumes agenda-making powers and seeks to assess its impact on the sector, not only to raise awareness but also to set an example, as credibility in issuing public policy recommendations is predicated on self-consistency. The coalition is accordingly assessed and required to report on its achievements and demonstrate that its philanthropic actions are aligned with the organization's transition goals. Participants in the initiative were asked many questions: how is climate addressed in funding requirements for cross-cutting programs, how are organizations lowering their carbon footprint, how are they supporting climate projects directly, etc.?

⁵ Though the part of the capital allotted to philanthropy is often residual, the defiant heirs of some affluent dynasties dedicate a much more sizable share of their wealth to charity. Furthermore, as they explicitly challenge the capitalist order at the root of their wealth, philanthropy, the outlet to all the innate privilege they enjoy (financial, social, etc.), becomes the means to reach this end. To be sure, though they are outliers, north-American foundations and philanthropic networks have been shaped for decades by these "rebellious heirs" (Lefèvre, 2018).

⁶ *Philanthropy and Social Sciences Program* is a research program based in the CNRS (UMR Cresppa-Labtop) and supported, among others, by *Fondation de France*, *Fondation Caritas France*, *Fondation Daniel et Nina Carasso*, and Philab, the Canadian research Network on philanthropy in Montréal. PSSP contributes to the development of research on philanthropy in political and social sciences. Conferences are periodically held as part of this program. On May 9, Patrick Lescure and Nathalie Ramos, respectively UMPT president and general manager introduced their initiative.

2.4

Future-mindedness: a key dimension of inequality and redistribution

Philanthropy clearly straddles two different time horizons. The first of these is “the response to immediate emergencies”. Foundations and other civil society actors receive the greatest level of attention during dramatic crises that impact society as a whole. Such crises are also an opportunity to alter their response and their organizational structures, as demonstrated in France by the « *Tous Unis contre le Virus* » alliance during the COVID-19 pandemic⁷. However, the short-term horizon of *ad hoc* responses to humanitarian crises (famine, war, earthquakes, natural disasters) **is embedded in a long-term horizon marked by systemic crises**, such as climate change, which, due to its global consequences and the unprecedented solutions it calls for, is both a ubiquitous and unconventional crisis. More conventional long-term crises include forced migration, large-scale unemployment, social isolation compounded by poverty, food insecurity, etc.

We believe that the time horizon is the most salient feature of the complex relationship between philanthropy and democracy. It is also the most instructive and problematic dimension. As a non-state, non-market entity, **philanthropy has the unique ability to carry out long-term planning and to not be constrained by the short-term imperatives** that increasingly characterize public policy and the profit-seeking objectives of financialized capitalism. In contrast to public authorities and market players, **the third sector**

benefits from its ability to look to the future and to explore innovative solutions to society-wide issues. Within civil society, philanthropy boasts a level of expertise and financing that allows it to mobilize its resources in order to bring about long-term collective benefits⁸.

However, while the position that philanthropy enjoys within democracy is based on its ability to focus on the long term, it is necessary to consider whether it is the donor or the recipient that benefits most from philanthropic activity. For individuals, philanthropy and the tax benefits that it provides allows some of the most privileged in society to harmonize their own values and those of their families, which helps to explain the feelings of contentment and happiness expressed by many philanthropists (Sellen, 2019; Duvoux, 2023). Philanthropy allows those who practice it to influence the long-term horizon on an individual, familial and collective basis. By anticipating collective and public choices, they commit not only their own future but that of society as a whole. In this view, social inequality can be redefined as time-frame inequality. The key challenge of philanthropy is therefore to broaden access to the long-time horizon, ensure greater control over one’s life and the ability to contribute to our collective destiny. Through public support, the well-off not only benefit from self-satisfaction but also the opportunity to contribute to shaping society.

⁷ The “Tous Unis contre le Virus” alliance was forged by Fondation de France, Institut Pasteur, and AP-HP, when the first lockdown was introduced in 2020 to limit the spread of Covid-19 in France. The alliance enabled the three organizations to pool resources and complement their actions (general, health and research) to confront what was a crisis of unprecedented scale.

⁸ The American philosopher Rob Reich emphasizes this as philanthropy’s major asset. In the most sweeping study to date on philanthropy’s credit and debit to democracy, he highlights the limitations of the case for philanthropy as a force conducive to pluralism. Philanthropy is often said to be beneficial in so far as it gives a platform to a plurality of values in the public space. For Reich, pluralism mostly serves to sustain the wealthy’s priorities in the public arena. The plurality argument is therefore untenable. To the contrary, Reich highlights how much philanthropy’s specific time horizon is its most evident value-added and the most solid justification of its contribution to democracy.

3

Philanthropy, the State, and Civil Society: protean interconnections

An examination of the links between philanthropy and democracy reveals the tension between the private source of donations and their purpose, i.e. the public interest. In France, this public interest is recognized and defined by the state, which regulates the philanthropic sector through its membership of the board of trustees of Foundations of Public Benefit. It also issues rules on the legal status of foundations, financial and activity reporting requirements, and tax incentives. Although they are grounded in a set of legal, regulatory, and tax rules, relations between public authorities and philanthropic organizations are rather complex. In practice, philanthropy and the state cooperate closely on a range of issues and on many levels. In order to outline these connections and identify actionable insights, we highlight some of these characteristics, starting with their multiple forms.

Foundations are rooted in a social and institutional context that they, in turn, influence. Foundations either complement or supplement public programs or mediate between civil society and public authorities. On the other hand, they can also serve as checks on power or, on the contrary, emulate state action. This section will present the full spectrum of relationships that exist between foundations and public authorities in order to precisely determine the contribution made to democracy by philanthropy.

Welfare regimes and philanthropy's role in society

The welfare analysis brings into sharp relief the social and societal alignments resulting from a given institutional arrangement. In the UK and Denmark, young adults leave the parental home much earlier on average than in Spain or Italy. This is not because they yearn for independence, but because they live in a society where fundamental social arrangements, and therefore social solidarity, rely either on the market (as in the UK), government scholarships (Denmark), or the family unit (in Italy and Spain). Much like other sectors, philanthropy is embedded in social arrangements.

The work of Danish sociologist Gøsta Esping-Andersen (1990), and political scientists Peter Hall and David Soskice (2001) on the variants of capitalism and the state's place within each of them provides insights on how to distinguish the social, economic, and political settings in countries in the Global North. Building on the typology outlined in their work, Helmut Anheier and Siobhan Daly (2006) classified the role of foundations in 18 countries (in the U.S. and Europe) and their connection with the State. The authors observed the following macro-models:

THE SOCIAL-DEMOCRATIC MODEL:

a strong third sector, foundations complement a strong social welfare regime (Sweden, Norway, Finland, Denmark); a close relationship between the philanthropic sector and for-profit industries.

THE CORPORATIST MODEL,

- with a range of possible configurations:
- a State-centered model with a relatively weak philanthropic sector and state supervision of foundations (France, Belgium, Luxembourg).
 - A civil society-centered configuration, where

foundations are in some form of subsidiarity relationship with the state, especially in the field of social welfare and education (Germany, the Netherlands, Austria, Switzerland, and Lichtenstein).

- The Mediterranean model: operative foundations are traditionally linked to the catholic church and grant-making foundations are a more recent phenomenon (Spain, Italy, Portugal).

LIBERAL MODEL:

a strong philanthropic sector. Clear boundaries between the philanthropic and for-profit sectors. Foundations represent an autonomous and parallel sector to government,

and sustain the plurality of values (Australia, USA, UK, and, arguably, Canada).

THE PERIPHERAL MODEL:

a weak philanthropic sector. A specific solidarity role is played by diaspora communities; foundations fill in the gaps in public services (Ireland, Greece).

THE POST-STATIST MODEL:

a weak philanthropic sector. Foundations have been developing rapidly since the end of the Cold War; philanthropy works in parallel with the welfare state (post-communist and socialist Eastern and Southeastern European States.)

This classification allows us to clearly frame our understanding of the development of foundations within the specific societal context they belong to. However, it should be stressed that this must be done in a nuanced manner. First and foremost, this is because the events of recent decades have reshaped the philanthropic landscape. For example, in France, which was long considered one of the countries most resistant to the promotion of private philanthropy, tax abatements for donations are among the highest in the world (66% of a donation is tax-deductible from income tax) and the cap on total deductions is among the lowest (20% of taxable income). Furthermore, the landscape is changing rapidly: half of the foundations in Switzerland were created less than 20 years ago, while from 2001 to 2022, France also saw a five-fold increase in the number of foundations and legal statuses. Philanthropic causes also vary greatly between countries. In the Netherlands and the UK, there is a preponderance of religious donations; international solidarity dominates in Germany, Belgium, and Switzerland. In France and Spain, most private donations are aimed at supporting the most vulnerable groups in society. These observations show how those operating in the philanthropic sector are shaped by the society and the period in which they exist.

Many historians have highlighted the extent to which modern foundations created in the 19th century have departed from their original form, mission, and operational methods. David Hammack and Helmut Anheier (2010) describe U.S. foundations as “versatile” institutions. At the beginning of the 20th century, foundations built institutions (universities, hospitals, public libraries, etc.). In the middle of the century, in search of a new purpose, some supported social movements; others influenced public policy by placing new items on the agenda and establishing think tanks; while others still became specialized in experimentation, in the hope that tried and tested innovations would eventually be adopted by the state or the market. More recently, from the 1980s onwards, there has been an emergence of a new generation of foundations with specific characteristics based on the fact that they are the result of quickly made fortunes in the tech and financial sectors. Today, new operational methods

are emerging: the use of financialized capitalism (“philanthrocapitalism”), techno-optimism, or even an aspiration for greater social justice, even if this means redefining the very basis of the philanthropic model (namely philanthropic support for social change).

Foundations have not been the only proactive factor in effecting this change. The surrounding societal context has been the prime agent of this shift. The influence of the social environment on the mission of foundations can be seen in the change in social causes over time. Illnesses like tuberculosis, which once were a central focus for foundations, have nowadays receded into the background. Other causes, like the fight against climate change, have now taken central stage following decades in which they received little attention from philanthropy. **Societal change is also marked by the evolution of the state, the expansion or contraction of social welfare mechanisms, the space, or lack thereof, afforded to civil society organizations or foundations, and the issues included in state programs or delegated to the philanthropic sector.**

3.1

Foundations and the State: an exercise in mutual learning

Foundations are involved at various stages of the public policy design process. They may fund and document experiments, provide expertise (literature reviews, international monitoring of experiments, collection of testimonies, designing of indexes, barometers, prices, funding for research), support activist organizations, craft awareness campaigns, draft public consultation reports, or even co-fund public programs. A prevalent view in the philanthropic field distinguishes its role from that of the state: foundations specialize in targeted experimentation, while the development of universal public policy is the preserve of the state. However, the boundaries between these two are often more porous than they seem. Two French examples illustrate this well.

A team from the health research chair at Science Po examined the role of the Fondation de France (FDF) in the development of palliative care in France in the 1980s. As explained by Daniel Benamouzig, Henri Bergeron, and Aurélie Segret (2021), with this strategy, philanthropy does not only fund projects but also encourages and engages in the structuring of an “organizational field”, laying the groundwork for public action:

“Originally, the Fondation de France built intimate relationships with palliative care advocates and lent them legitimacy. Then, FDF catalyzed the adoption of palliative care by private and public advocates. Finally, the FDF maintains the public’s focus on this issue over time by periodically relaying these initiatives, a function described as ‘intertemporal mediation’. The three notions of intimacy, catalyzation, and intertemporal mediation are the hallmarks of a low-profile and indirect approach that proved effective. It helped create a new organizational arrangement perceived as legitimate, which soon received government support.”

While FDF is a major actor on the French philanthropic stage, if we look at smaller foundations like *Impala Avenir*, founded in 2018, we can also observe the same changing patterns in relationships with public authorities and their mutual adaptive reactions. Florian DuBoys, founder of *Impala Avenir*, began his philanthropic vocation after he sold his digital infrastructure company to an American group. Thanks to his sizable capital, numerous connections, and technical skills, he developed his philanthropic activity by first setting up an endowment fund and then a foundation, which he co-established with his spouse.

Its original mission was to help the young “NEET” population (Not in Education, Employment, or Training). This sector of the population is considered to be most at risk of social marginalization and institutional neglect. The aim of the founder was to build direct channels to access employment through short-term training programs clearly advertised as informal, ie. not providing “formal vocational training, degrees or certificates”. This market-driven social integration approach challenges the “degree-obsessed society” by providing an alternative to existing training programs. As a short-term, affordable, teenager friendly educational program, the *Les Plombiers du Numérique* schools run by the foundation are quickly expanding across France and filling several gaps.

Although it aims to lower the barriers to entry into the labor market (technical skills, mathematical knowledge and soft skills), *Les Plombiers du Numérique* schools are developing as part of an ever-closer cooperation with public authorities. The *Missions Locales* (centers for youth employment) play a key role in issuing guidance. What is more, far from passively receiving resources and applying fixed guidelines, project initiators can redefine goals to fit their specific

needs. For example, some *Ecole de la 2e chance* (government programs targeting early school-leavers with low employability) may supplement this approach (Duvoux, Vezinat, 2020) by providing students with highly individualized follow-up, meaning that the program falls under the scope of public action. This project-based approach has been adopted by the *Conseils Départementaux* in charge of *Département*-level social policy. On this basis, they have participated in readjusting the program.

Impala Avenir first had to attain tangible results and build its reputation as a social problem solver by working with project initiators and supporters before being commissioned by institutions. The *Départements*, which are responsible for the *Revenu de Solidarité Active - RSA* (minimum income guarantee for unemployed and very low-income groups), requested that the age requirements be lifted and that RSA recipients be eligible for training in exchange for their financial support.

These patterns of mutual learning between public authorities and philanthropic organizations bring more nuance to the often-romanticized view that philanthropies, having complete discretionary power over resource allocation, are free to engage

in experimentation, with public authorities then stepping in to take ownership of projects when time has come to “upscale” them. In reality, however, responsibility for philanthropic projects can be transferred in either direction and there is a constant involvement of multiple actors. While foundations may at first challenge the action of the state, over time, they become part of the tight-knit web of public and private entities that underpin it. The actions of the state are themselves modeled in part on the approaches developed by private initiatives. **Philanthropy is conducive to the public good whenever it espouses the predefined framework and dynamics of the latter.** (Horvarth et Powell, 2016). The collaboration of philanthropies with public authorities may lead to a virtuous cycle in which the state builds on the resources and initiatives of foundations.

3.2

Philanthropy, a “check on power”?

As a well-resourced and free agent, unbridled by the state and the market, philanthropy can pursue noble causes that do not enjoy overwhelming popular support: relief to marginalized groups, efforts to eradicate or cure rare diseases, etc. At times, philanthropy can even set out to raise awareness about neglected or little-known phenomena, such as climate change, the long-ignored health hazards of tobacco smoking, and the evergreen issue of alcohol consumption.

In France, for example, it is more difficult to recognize the issue of inequality at birth than in other countries. The fact that anti-discrimination policies in France have been ineffective is partly due to the lack of capacity to measure discrimination. This is what encouraged Open Society Foundations—previously the Open Society Institute, created by Georges Soros in 1993—to conduct a discrimination test in real-world conditions, which is held up as one of the most solid methodologies, to prove the existence of discrimination (Safi, 2013), especially in policing practices.

This study found that profiling practices were widespread and that minorities were disproportionately targeted by police checks. These results are corroborated by other French academic studies and the findings of the *Défenseur des Droits* (the French Ombudsperson office). More importantly, the report in which the findings are presented highlights the high prevalence of discriminatory practices in no uncertain terms:

*“This report tells the story of the impact of this discrimination and the consequences that it has for individuals, their social networks, but also for the police themselves and public safety. It is told through the stories and experiences of people for whom being randomly stopped and searched by police because of their appearance is an everyday event. Their experience reflects larger patterns.”*⁹

This approach seems particularly relevant for the philanthropic sphere, as **its contributions to the public interest can be considered complementary to the existing body of knowledge and actions.** The independence afforded by financial capital allows philanthropic actors to “ask difficult questions” and start conversations that would otherwise never take place.

⁹ Open Society Justice Initiative, 2013, Equality betrayed. The Impact of Ethnic Profiling in France, report: <https://www.justiceinitiative.org/publications/equality-betrayed-impact-ethnic-profiling-france/fr>

3.3

Foundations as “aggregators” of non-profit initiatives

To fully grasp the role of philanthropy, foundations should be viewed as players in what Pierre Rosanvallon calls the *démocratie d'équilibre* (democratic equilibrium), i.e. all the stakeholders that make up civil society. In France, both foundations and non-profit organizations are often overshadowed by the very centrality of the state, in spite of the fact that, at different times and in various ways, they have been able to contribute to the structuring of public life.

Philanthropy is somewhat unique in that it expresses its influence in a relatively discreet manner. This is not the result of a desire for opacity, although some philanthropies and donors eschew the public eye and prefer to remain anonymous. Instead, this attitude mostly stems from the operational methods of philanthropy. Perhaps the best way to characterize the role of philanthropy would be as the intermediary between donors and grassroots organizations, which is entrusted with channeling funds to causes and selecting and monitoring practitioners and organizations tasked with solving concrete issues. Philanthropy works in the wings, garnering the resources that are needed by non-profit organizations to undertake their projects.

Admittedly, this is a rather narrow interpretation of the role of philanthropy. Foundations are more than just financial vehicles. **Equipped with its own expertise, insights, and understanding of the problems at hand, philanthropy brings into alignment funding mechanics, cognitive framings of issues, and discussions with grassroots organizations on the front line.**

It is for this reason that coalition-building, the production of expertise, and the provision of support to local social practitioners make up a large part of the philanthropic toolkit. Foundations owe their continued relevance to their function as an aggregator and third party entrusted with building bridges and channeling resources to strategic organizations and issues. Aligning grassroots actions is an essential part of what foundations do. It is all the more fitting that they should assume this role, as they have a rich pallet of resources at their disposal (expertise, overview of projects designed independently of one another, access to donors, etc.) that allow them to develop long-term strategic agendas. This approach requires foundations to provide enduring support and integrate multiple grassroots actions into a set of specific programs. However, it should be noted that the opposite is also possible: foundations may support organizations without pigeonholing them into preconceived frameworks.

A recent example of this is the *Fondation Caritas France*, one of the main French sheltering foundations, which underwent considerable qualitative development in the 2010s. The foundation gained an ‘aggregator’ function at the end of the COVID-19 crisis in 2021, which it is now applying to the green transition. Jean-Marie Destrée, Executive Director of the foundation, views with alarm the gulf between the growing need for philanthropic services and many promising yet resource-depleted non-profit organizations:

“We created the ‘resilience actors’ program at the end of the COVID crisis. We have been funding grassroots practitioners and non-profit organizations for many years. We know their impact and their activities. We see organizations with bright prospects being weakened by their lack of scope.”

A tripartite funding scheme was set up: donor-advised foundations are called on to support a project; *Fondation Caritas France* covers up to a third of the financing needs; and a sponsor is solicited. The foundation commits to supporting the targeted organizations for three years with unmarked donations of about 50.000 euros and strategic guidance on how to raise funds and perform impact assessments. In this context, the sheltering foundation, thanks to its status, is recognized as a trustworthy partner.

The foundation took a stance on climate issues after realizing that the poorest in society are particularly vulnerable to the most adverse effects of the green transition. The foundation identified professional reintegration programs in this sector with a social and environmental component. Twenty donor-advised foundations joined the tripartite funding scheme (made up of a sheltering foundation, donor-advised foundation, corporate grantmaking). The foundation may use the opportunity to build a narrative on popular ecology, pointing out the tangible reality that the poorest bear the brunt of climate efforts and specifying adaptation remedies. The “*acteurs de transition*” (transitions leaders) program relies on the same dynamics.

Several grant-making foundations combine the expertise, guidance, and long-term funding of organizations meeting crucial social needs. What emerges is a pattern where foundations follow in the footsteps of the state. Thanks to their expertise and the stability of their grants, foundations can assume a leadership role akin to that of the state.

3.4

To contribute or to disrupt?

The findings of studies carried out on the relationship between philanthropy and the state can be boiled down to the following points: first, and most importantly, there is **constant cross-fertilization between** sectors that are often thought of as incompatible or antagonistic. In the “contributive” model, philanthropy commits private means to government programs. In the “disruptive” model, as coined by Aaron Horvath and Walter Powell (2016), the foundation, relatively free from immediate contingencies and/or red tape, contributes innovative solutions.

In the contributive model, philanthropy supports, guides, and bolsters government action by committing resources and assistance, as defined in the state’s agenda. A prime example of this approach is the involvement of American foundations in government campaigns against poverty under the democratic administrations of presidents J.F. Kennedy and L.B. Johnson. In France, the establishment of the *Fondation de France* itself is evidence of the significance of the mutually reinforcing coordination between the state and civil society.

In the disruptive model, foundations challenge the approach of the state, questioning the legitimacy of its expertise and the perceived conviction that it has the best responses to the problems that it needs to address. Solutions based on market-driven resource distribution rather than governmental discretion and attempts at perfecting the latter are often adopted with a view to promoting equality of opportunity. As will be shown below with the example of food assistance, a high-profile philanthropic cause in France that generated various approaches and complex relations with the state, the involvement of the most vulnerable in the design of public assistance programs may indeed prove disruptive.

In practice, these dynamics often coexist.

Regarding food assistance in France, sociologist Rémi Guillem makes a distinction between “donor philanthropy” and “foundation-led disruptive philanthropy” (Guillem, *forthcoming*). His review of food assistance providers highlights that donor philanthropy is driven by a multitude of small donations, which requires significant fundraising efforts (charity events, paid donation-collecting staff, etc.). This pattern is in lockstep with the distribution mechanisms of the state. In contrast, foundation-led disruptive philanthropy relies on fewer donors (some of whom are those who have established foundations) and the in-house expertise of grantmaking organizations. Its goal is to construct alternative systems.

The fight against food insecurity is the most time-tested philanthropic endeavor in the field of food assistance. As this action addresses matters of public interest clearly delineated by the state, channeling “resources and attention to some unmet societal need” (Horvath, Powell, 2016,), it can be considered contributive. Although 20th-century approaches to food assistance have persisted to this day (soup kitchens, food packages), relief providers underwent significant change during the 1980s, as the fight against food insecurity was institutionalized and the introduction of significant tax deductions reshuffled its economic dynamics.

Foundation-led disruptive philanthropy is singular in that it enters new social spheres by “*attempting to shape civic values in the image of funders’ interests and, in lieu of soliciting public input, seeks to influence or change public opinion and demand.*” Disruptive foundations build their actions around strategies that are regularly updated and strongly informed by academic research. They focus their support on social purpose organizations (for-profits or NPOs) in developing local or alternative food systems. The strategic directions of these two groups can vary greatly and even be in direct opposition.

Let us return to the example of *Fondation Daniel et Nina Carasso*. This foundation’s action to foster access to food is guided by the work of the legal expert Magali Ramel, who shows that the recipients of food assistance are insufficiently consulted on the specific types of food they receive. In an interview, one executive of the foundation described the strategy adopted as follows:

“The strategic goal of the foundation is to promote access to food in the non-profit sector, as well as to public authorities, who still view this approach as secondary. Our agenda is to achieve a structural overhaul of food assistance through an essentially distributive approach, aimed at ensuring dignity to recipients by involving them in the process.”

This process entails a long-term partnership with the state, within which the foundation seeks to gain legitimacy in a government-initiated stakeholder committee by providing expertise and contemplating alliances with parties wielding legislative or regulatory influence. These legitimacy-enhancing steps highlight how foundations attempt to gain recognition in decision-making spheres. **It is therefore key not to consider relations between philanthropy and the state as rigid but as an ever-evolving relationship in which the actors are constantly interacting with one another. In fact, these observations are evidence of the high degree of intertwining between the two.** Accordingly, the discussion on the potential contribution that philanthropy can make to democracy is all the more relevant. We shall start by reviewing the ways in which philanthropic capital can be democratized.

4

Perspectives on Foundations’ democratization

For the public and scholars, the relationship between philanthropy and democracy is essentially viewed through the lens of the issues presented in the two preceding sections, i.e. the connections between 1) philanthropy and inequality and 2) philanthropy and the state. However, for foundations, these are not the only paths to democratic legitimacy, nor are they the most direct ones. Indeed, any attempt at democratizing foundations requires us to better understand their funding mechanisms, structures, and the manner in which their philanthropic activity is carried out. A few ideas may prove fertile ground and provide a potentially significant contribution to improving democratization. The first of these is “popular” philanthropy, which aims to involve a large number of small donors in order to offset the outsized influence of big donor philanthropy. A second approach centers on a range of strategies aimed at democratizing the decision-making processes within foundations. The third path focusses on a realignment of causes with remedies. These various avenues will be explored in this section.

These “internal” discussions all lead to the central issue of the relationship between philanthropy and democracy, which we address in two ways. The first of these relates to the question of philanthropic action. **Is the democratization of the sector more likely to come about through an increase in the number of philanthropic organizations or a reform in the decision-making processes within foundations?** The second involves **the formalization of philanthropy as a democratic counterweight, through which structured and recognized civil society organizations supplement representative democracy.**

4.1

Broad-based donations or shared decision-making power

Olivier Zunz, leading historian specializing in U.S. philanthropy, argues that philanthropy is driven both by “the philanthropy of the elite”, which is made up of large donations, and “the philanthropy of the masses”, constituted by smaller donations. In his view, the legitimacy of philanthropy hinges on their coexistence and coordination (Zunz, 2012). As presented in the second section, the rise of income (and especially capital) inequality led to the dominance of “elite” philanthropy in the 21st century.

While some point out that “elite” philanthropy amounts to a form of democratic capture by and to the benefit of the wealthy, many, like Julia Cagé (2018) in France, suggest that tax deductions should be replaced with discretionary vouchers creditable to self-selected non-profit organizations. This scheme would ensure a level playing field in philanthropic contributions and it forms the basis of her proposal for the reform of how CSOs and political parties should be funded. Her argument revolves around tax-deduction-funded philanthropy and eligible taxpayers, i.e. those liable to income tax (about half of French households) and wealthy taxpayers (a minority of households).

The philosopher Emma Saunders-Hastings (2022) criticizes this option in her book on the relationship between philanthropy and democracy. She is openly skeptical of the idea that broadening the donor base would limit the inherent influence of elite philanthropy. In contrast, she believes that philanthropy, far from being a process of broad-based popular engagement, should rather be likened to political lobbying. Individual small donors do not have any influence over their own donations, and organizations themselves may wield problematic forms of power. Broad-based participation is no guarantee of equality between donors. For example, the various types of volunteering activities do not entail any exchange or substantial contributions to democracy (Eliasoph, 2009); quite the contrary, traditional anonymous donation methods (like charity boxes used by Jewish communities during Passover, as described by Elie Weisel) can establish relationships that do not diminish the social and moral status of recipients and, therefore, conform much more to the democratic ideal of egalitarian relationships. Passover boxes highlight the fact that a broader donor base does not automatically reduce tensions between philanthropy and democracy. In the same vein, E. Saunders-Hastings suggests that the mechanisms by which donors have a say in relation to their donations should be strengthened. This could be done, for example, by extending the “Cy-près doctrine” to allow for the redirection of donations and to give foundation staff more latitude on disbursements.

Two paths to the democratization of philanthropy thus emerge: the broadening of the donor base or the collective control of donations. A third way, however, is also possible: leadership. In her most recent book, Canadian sociologist Michèle Lamont recommends supporting the decisive contribution of philanthropy to institutionalized “recognition chains”, linking together activists, cultural creators, philanthropic organizations, and public authorities. **In her view, philanthropy can change society’s “narrative” by promoting inclusion.** She believes that leadership changes in the philanthropic sector make it possible to bring about “recognition chains” formed by collective actors dedicated to social change. For example, in her opinion the appointment of Darren Walker, a gay African American, as President of the Ford Foundation contributed to changing the narrative and promoting inclusion among the U.S. East Coast elite. The promotion and embodiment of transformative narratives undoubtedly opens up a third path. This path is not exclusive but rather complementary to other approaches, including those related to the second path to democratization: building more egalitarian relationships between foundations and the groups they fund.

4.2

Strategies to create an equal footing between donors and recipients

How should philanthropic decisions be democratized? We focus here on the foundation's grant distribution decisions. Beyond the purely technical aspects (clear and transparent requirements, widely shared calls for projects, realistic deadlines, etc.), this question centers on the relationship between the fund provider (the foundation) and the fund receiver (mostly non-profit organizations). This relationship is often a mix of collaborative and power dynamics. For Ostrander, Silver, and McCarthy (2005), **four conditions can tip the scales in favor of collaboration.** These conditions form a continuum: the first offers the mildest correction to power imbalance, while the fourth provides the strongest one.

- **1 Dialogue** : Funded groups, though removed from decision-making structures, are invited to take part in a formal, continuous, and constructive dialogue with the foundation.
- **2 Staff representation.** Thanks to their activist, academic, or other non-work-related activities, project managers and other staff members can express their sympathy with the values of supported groups. They view their own job as a way to further these causes and are therefore committed to amplifying the supported groups' voice within the foundation.
- **3 Collaboration.** Funded groups are involved in the decision-making process and can directly share their views. In this scenario, grant committees have a central role within the foundation and involve donors (or their representatives), foundation staff members, but also recipients (or representative groups). Instead of simply creating a patchwork of opinions and interests, the purpose of collaboration is to build a common identity between fellow travelers and overcome preexisting social, economic, racial, (etc.) divisions.

- **4 Recipient empowerment.** Grants committees are fully composed of activists and social movements deeply rooted in distressed communities, or even by people whose needs are directly targeted by the foundation's programs (people living in poverty, for example). By empowering recipients with a central role in the decision-making process, this latter arrangement tips the balance from the donors to the recipients.

Established some 20 years ago, these arrangements are reemerging under the banner of **trust-based philanthropy.** Increasingly popular in North American and European foundations, this approach seeks to correct power imbalances not only in grant-making decisions but also in how foundations generally engage with partners in collective actions. This reflects a widely shared concern among foundations: **how to best align methods of action with philanthropic goals?** The following example of a 10-year collective program run by a Quebecois foundation illustrates the third path open to philanthropy in order to achieve democratization.

4.3

The Quebecois experiment: the actions of the *Collectif des fondations québécoises contre les inégalités*

In the spring of 2015, a dozen foundations in Québec published a joint column challenging the government for the inequality-enhancing effects of their public spending cuts. This move was unique in more ways than one. Prior to this, foundations in Quebec had rarely worked together, each preferring to focus on their own activity. Secondly, their method of action, a widely published open letter to the government, was quite surprising. When large foundations engage with the government, they usually do so in an advisory capacity. They may also enter negotiations with the government when co-funding projects. Lastly, although poverty relief had been a mainstay of these foundations, up until 2015 they had rarely framed it in terms of inequality.

Over the course of the following years, the *Collectif des fondations québécoises contre les inégalités* grew into a formally organized think tank where Quebecois foundations could explore ways to redress inequality, including the inequality-enhancing tax benefits enjoyed by the foundations themselves. Through its publications and the events that it organizes, it has reaffirmed the predominant role of redistributive public policies in reducing inequality, as opposed to the supporting and distinct role of philanthropy regarding public intervention.

It should be noted that this coalition is made up of a diverse range of actors. *Fondation Béati* advocates for social change social movements and gives a majority share to recipients in its grants committee. *Fondation Lucie et André Chagnon*, then in negotiations with the government to renew its partnership with the state, lies at the other end of the spectrum¹⁰. Other members of the group include *Fondation McConnell*, the oldest private Canadian foundation and public foundations¹¹, as well as *Centraide* (the Quebecois branch of *United Way*)¹². The coalition, therefore, is a loose network of diverse philanthropic organizations with different organizational structures and interests. Despite their differences, they all agree on common guidelines against inequality and communicate through a single spokesperson.

¹⁰ The partnership eventually failed to be renewed. Two factors were decisive in this outcome. The legitimacy and operationalization of this partnership came under fire from non-profit organizations. Secondly, foundations had expressed frustration with the ministries' lack of cooperation. Cf. Lefèvre, Berthiaume 2017.

¹¹ The Canadian tax authority, which issues rules for philanthropy, distinguishes two types of foundations. Public foundations have a board of trustees, whose members have no common interests, and the funds they raise come in large part from a multitude of sources. Hospital or museum foundations, which organize annual fund-raising events, fall into this category. In contrast, private foundations, like family trusts or corporation foundations, have a board whose members are related, and it mostly receives donations from a single source.

¹² Canada, United Way unites nearly 70 public foundations working locally under the Community Chest model, raising funds for individuals and companies, which redistribute them to non-profit organizations serving local communities.

The *collectif* soon gained a wider audience and hired one full-time member of staff. In January 2020, during consultations with the government, it threw its weight behind the representatives of non-profit organizations by calling on the Quebec Ministry of Finance to increase their funding. The *collectif* thereby highlights how non-profit organizations can leverage their influence by forming networks, but also how much their autonomy as grantmakers matters.

In 2021, the *collectif* published a pledge signed by its members (15 signatories to date). It contains two “ground rules”¹³: Foundations should **“uphold a role for themselves that is both distinct and complementary to other actors, and especially to the state”** and **“demonstrate their tangible contribution to the common good and commit to improving the impact and consistency of their action”**. Onboarding measures are suggested for those wishing to embark on the journey. An internal development tool is provided to go further at the pace of one’s choosing. Regarding the second rule, a first step for foundations is to report on the purpose, activities, and donations distribution mechanism of their mission. The next step is to “report to the community” on the lessons learned from supported programs.

Following this, three “consistency principles” are formulated. **The first is related to grants: “Ensure that the mission, values and support priorities of the foundations are consistent with the pledge’s redistributive commitment”**. A first step is to make sure that donations go to the most vulnerable individuals and groups. Foundations are then invited to use their own influence to publicly support groups fighting against societal or market-driven inequality.

The second principle frames the position and general operational rules of the foundation: foundations are invited to **“adopt power-sharing practices and use their own influence to the benefit of supported groups and communities, especially those committed to transforming the conditions of social exclusion and marginalization.”** This principle can be translated into a range of actions: a first step can be to provide unmarked multi-year base funding to non-profit organizations. Foundations can then decide to work with the association’s other donors to unify reporting activities and avoid making conflicting requests to the non-profit organizations. As another introductory step, grants can also be given to grassroots groups aiming at expanding the access of vulnerable groups to public authorities. A second step consists in advocating for stronger public measures against inequality, within the bounds of the law¹⁴.

The third principle is related to the financial capital of the foundation. The foundations should “ensure that their investments support practices which mitigate or reduce inequality and should disinvest from those that increase it”. This principle echoes the long-debated structural disconnect of philanthropy, namely the contrast between placing capital in financial markets to maximize returns and distributing the profits of this activity in the form of grants. In contrast, this third principle urges foundations to ensure their investments are consistent with their mission. Foundations are encouraged to draft a socially responsible investment policy. As a further step, they can engage in shareholder activism, that is, influence a corporation’s behavior by exercising their rights as partial owners. To raise their ambition even further, instead of placing their capital on the financial markets they can chose instead to use it to directly strengthen the operational capacity of the organizations that they are supporting by, for example, providing them with interest-free loans to purchase a building.

We should note that this collective commitment has given rise to diverse practices: for some foundations, the pledge’s recommendations became a guide for internal annual self-assessment, while others refer to it somewhat sparingly.

¹³ We use quotation marks whenever the original terms of the *Collectif* are used.

¹⁴ In France, a non-profit can assume an advocacy role, provided it does not account for most of its activities. Likewise in Canada, the common law sets apart “charitable” and “political” purposes (advancing a party’s interests, defending or challenging a legislation), the last 20 years of fierce debate around this issue notwithstanding.

Conclusion : philanthropy as pooled capital

In this paper, we have reviewed the relationship between philanthropy and democracy from four angles: the long, checkered history of U.S. philanthropy and what it teaches us about philanthropy in general; philanthropy's responses to the multiple contemporary crises; the plurality of relations between philanthropy, civil society and public authorities; and, lastly, the pathways to democratization open to philanthropic organizations.

As we have seen throughout this paper, in the current context, several lines of tension run through the relationship between philanthropy and democracy. Firstly, the very accumulation of wealth that enables philanthropy is challenged from the viewpoint of inherited or reproduced social inequality and inequality of treatment. Secondly, the environmental crisis requires philanthropy to reflect in two respects. The first of these is due to the fact that the wealth generated by industrial and extractive activities has caused a massive global environmental debt that affects the most vulnerable. Furthermore, the environmental crisis has rendered the long-term operational model of some foundations unfit for purpose. Foundations are indeed designed to last by spending only part of their capital and investing the rest in financial markets. However, in the current context, societies and the planet are faced with a looming wave of decisive deadlines. **While these 21st-century challenges aggravate tensions, they also mean that the contributions of foundations are ever more crucial.**

The operational models of foundations, their high degree of autonomy, reactivity, and ability to support technological and social innovation are crucial assets for the socio-ecological transition. All fields of activities (food relief, housing, mobility, work programs, health, culture, etc.) require deep transformation; however, change must be accompanied by cross-cutting considerations. Thanks to their position, foundations can not only provide targeted expertise but also contribute to transformation across a number of sectors, an approach that is crucial in the much-needed transition. Their specific time horizon, ranging from massive short-term investments to medium-term (5-10 years) commitments, enables them to support, disseminate, and scale up innovation. Furthermore, their autonomy and accrued expertise offer them the ability to generate breakthrough solutions to unsustainable, inequalitarian, or unfair social and economic systems.

To play a useful role in facing the aforementioned pressures, it seems essential that philanthropy be able to generate its own democratic legitimacy. How can this be achieved? **By ushering in a thorough and vital democratization of its own practices by applying the following remedies: increased participation, assessments, the discussion of outcomes, and the framing of philanthropy as common capital.**

PARTICIPATORY APPROACH:

As the resounding clarion call attributed to Nelson Mandela goes, "Nothing about us without us". He reminds us of a possible pitfall of philanthropic activity: losing sight of recipients. It is crucial to establish operational arrangements with recipients playing a central role during implementation and the early strategic planning stage. The generation of expertise is thus designed to empower targeted groups, especially vulnerable communities, by giving them a key role in philanthropic programs. **This participatory approach highlights the need for close collaboration between all stakeholders, including recipients.**

SHARED ASSESSMENT:

The assessment of funded projects (review of applications for funds, impact assessments or reporting activities) is a key issue that has generated much division in the philanthropic community. This is often perceived by non-profit organizations and funded parties as intrusive, time-consuming, and moot, as reports and data are seldom reused. These processes, often borrowed from for-profits on the advice of consulting firms, are admittedly imperfect for organizations dedicated to the common good. However, assessments can be the key to legitimacy and efficiency, **as conducting assessments alongside non-profit organization staff can help democratize organizations and increase participation.** What is more, the dissemination of its outcome contributes to generating a rigorous body of knowledge on society and lays the foundation for the contribution that philanthropy can make to the public debate and the framing of social issues.

FROM PHILANTHROPIC CAPITAL TO COMMON CAPITAL:

Philanthropic capital can be considered common capital instead of private wealth. First and foremost, due to its origin: private wealth results not only from the efforts and success of individuals, families, and companies but also from the labor of workers and communities and the contribution of public subsidies. Secondly, because of its nature: foundations and donations are supported by tax benefits, paid by all taxpayers. Lastly, because of its purpose, i.e. the public interest. To truly grasp the full implications of the repurposing of capital, one must rethink not only how donations are used, but also how the capital of foundations is invested, in order to strengthen their efficiency and legitimacy.

By assuming multiple functions as parties to a wider collective action involving other civil society entities, **foundations will set themselves on a transformative and democratic path.** These are undoubtedly high ambitions. However, in our view, these actions are a prerequisite for foundations wishing to elevate their democratic legitimacy, effectiveness, and relevance in the challenge-rich 21st century.

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Appendice

legal framework and key figures of contemporary philanthropy in France

In France, foundations are categorized into 8 legal statuses, comprised of 4 general-purpose functions and 4 specialized functions, commonly referred to as “scientific foundations” here below:

Public Benefit Foundation

status created in 1987

Establishment:

One or more natural and/or legal persons. Decree by the Prime Minister, following a recommendation by the *Conseil d'Etat*.

Initial capital outlay:

1.5 million euros.

Purpose:

Any purpose

Governance:

Board of Trustees or Supervisory Board (with a management board) comprised of 3 mandatory bodies: one for founders, one for qualified individuals, one for standing members with government representatives.

Specific features:

Tax benefits (Income tax, Real estate wealth tax, business tax) and wealth benefit related to patronage. Eligible for state grants.

Donor-advised foundation

status created in 1987

Establishment:

One or more natural and/or legal persons. Operates under the aegis of a sheltering foundation (foundation of public interest, scientific cooperation foundation, partnership foundation).

Initial capital outlay:

Set by the sheltering foundation

Purpose:

In line with the sheltering foundation's purpose

Governance:

Board or Committee of Trustees comprising the founder(s) and the sheltering foundation.

Specific features:

Tax benefits (Income tax, Real estate wealth tax, business tax) and wealth benefit related to patronage. Eligible for state grants.

Endowment fund

status created in 2008

Establishment:

Creation: one or more natural and/or legal persons. Application filed at the préfecture.

Initial capital outlay:

15,000 euros

Purpose:

Any purpose

Governance:

Board of Trustees comprising at least 3 members

Specific features:

Tax benefits (Income tax, business tax only) Not eligible for state grants.

Corporate foundation

status created in 1990

Establishment:

One or more natural and/or legal persons. Application filed at the préfecture.

Initial capital outlay:

No endowment, however, must have at least 150,000 euros in financial flow every five years.

Purpose:

Any purpose

Governance:

Conseil d'administration composé Board of Directors comprised of the founder(s), company staff representatives and qualified individuals.

Specific features:

Tax benefits (Income tax, business tax only, as the foundation may only rely on the generosity of founders and company staff) Eligible for state grants.

“Scientific” Foundations

*status created in 2006 (SCF),
2007(UF)*

Scientific Cooperation Foundation:

Established by one or more public research or higher education entities. SCFs fund scientific research.

University Foundation:

Established by one or more public entities with a scientific, cultural or technological character.

Partnership foundation:

Established under aegis of a higher education or research entity. Its activities must comply with the public service obligation of higher education.

Hospital foundation:

Established by one or more public health entities. HFs fund medical research.

Appendice:

Philanthropy in France: key 2023 figures

Since the beginning of the century, the number of foundations and endowment funds has expanded to 5300 in 2022, a **five-fold increase over 20 years ago**. In 2021, French funds and foundations held 40,44 billion euros in assets and disbursed more than 14,72 billion. These grants helped create and support a wide range of public-interest projects, mainly in the fields of **social welfare** (40% of grants in 2021), **health and medical research** (33%).

5 300

foundations and
endowment funds in 2022

x5

over 20 years ago

40,5 MDS €

in assets held by
French foundations and
endowment funds

14,7 MDS €

in expenses dedicated
to public interest

40 %

in social welfare field

33 %

in health and medical
research field



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