EVOLUTION OF THE « FOUNDATION » MODEL IN FRANCE 2009 - 2018
French endowment funds in the spotlight

Fidal’s “Charities & Philanthropy” team advises corporations, entrepreneurs and owners of large fortunes on their strategic philanthropy and on setting up charities or other Not-for-profit organisations (NPOs).
A French foundation is characterised by a legal contribution for public purpose on a not-for-profit basis by way of a gift or a donation. It may be created by a single founder and its governance is based around a board of directors or equivalent body.

The main areas of public purpose (general interest):

In France there are eight legal forms of foundation that we traditionally classify in two categories (see table):

- So-called “generalist” foundations which may, depending on their form and origin of their founder, intervene in one or more areas of general interest;
- So-called “specialised” foundations which may be created only by certain public institutions to support Research and Higher Education.

THE OUTLOOK FOR FRANCE’S FOUNDATIONS

<table>
<thead>
<tr>
<th>« GENERALIST » FOUNDATIONS (Environment, social, research, culture, etc.)</th>
<th>« SPECIALISED » FOUNDATIONS (Higher education and research)</th>
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</thead>
<tbody>
<tr>
<td>Endowment fund (“Fonds de dotation”)</td>
<td>Scientific cooperation foundation (“Fondation de coopération scientifique”)</td>
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<tr>
<td>Acknowledged public utility foundation (“Fondation reconnue d’utilité publique“)</td>
<td>University foundation (“Fondation universitaire”)</td>
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<td>Sheltered foundation (“Fondation sous égide”)</td>
<td>Partnership foundation (“Fondation partenariale”)</td>
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<td>Company foundation (“Fondation d’entreprise”)</td>
<td>Hospital foundation (“Fondation hospitalière”)</td>
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These documents aim to give the most faithful image of the outlook for foundations in France and, more particularly, of the endowment funds. We regret, however, that we do not have precise concordant and official data (French Ministry of the Interior or French Ministry of the Economy) such as the amount of the gift, the annual budget or the nature of the founder. In this context we have chosen to base ourselves on various studies containing figures to outline as closely as possible the reality of this trend. In this regard, it is interesting to follow the results of the parliamentary mission entrusted by the Cour des comptes (Audit Commission) to the deputy Gilles Carrez dealing with the tax expenditure of companies related to patronage. The honourable parliamentarian has already raised awareness by the Cour des comptes of the need “to obtain greater transparency” on this point (Report dated 13/06/2018, Appendix 12 Culture: Heritage)
In this diversified context, the French endowment fund clearly stands out. The latter has undergone great success since its creation in 2009: it is the only form of foundation to have progressed significantly, such that today more than one in every two foundations is an endowment fund! This proportion will tend to grow in the coming years according to our forecasts (see diagrams below). If this progression is pursued and if the laws on foundations remain unchanged, French endowment funds will represent \( \frac{3}{4} \) of foundations in five years’ time.
HOW TO EXPLAIN FRENCH ENDOWMENT FUNDS’S SUCCESS?

The endowment fund is a real flexible organization, as legislators wanted. Any individual or legal entity can rapidly create this tool and custom model it (adaptation of the governance, nature of the gifts granted, terms for using the endowment, type of private resources). And although an initial endowment of €15,000 has been mandatory since December 2015, the endowment fund can be created by any category of founder:

- **Companies** much prefer this form of foundation over the company foundation strictly speaking thanks to its flexibility in term of organization and financing.
- **Families** which are often great donors are increasingly using this legal vehicle to commit to a federating philanthropic project and/or to ensure the long-term health of family wealth (possessions or property).
- **Shareholder foundation**: business leaders opt to transfer shares to an endowment fund to ensure the long-term health of their company (holding foundation as an inheritance planning solution) and/or to conjugate business and general interest activities.
- **NPOs and public institutions**, confronted with financing problems, set up an endowment fund to organise fund-raising strategy or, for certain NPOs to protect their assets.

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Sources:

Other foundations (“Observatoire de la philanthropie”/“Fondation de France”)