

Limited-life foundations : an option worth being considered ? (and the importance of how to define the mission of a foundation)

A **contribution** to WS45 – FOUNDATION WORKSHOP – at the 2nd China Europe Forum – Brussels october 2007 – by Françoise Astier – Charles Leopold Mayer Foundation

Abstract :

A discussion around the idea of creating limited-life foundations ie. spending all the money within a relatively short time . Would such foundations be more efficient ? Because focussing greater resources on the most pressing issues of our time? Why or why not ? Is it not also a question of how the « mission » of the foundation is worded ?

Text :

At the june 2007 General assembly of the European Foundation Center, there was a very lively discussion at one of the 90 minute sessions about « perpetuity foundations » and the risks of falling into the pitfalls of longevity. One of the speakers was John Healey of The Atlantic Philanthropies, the other Stephen Pittam of the Joseph Rowntree Charitable Trust.

The case of The Atlantic Philanthropies is interesting : its board have decided to spend down the endowment by the year 2016.

This type of giving is apparently relatively rare in Europe ; there are examples in the USA. Some ideas for discussion on the benefits and disadvantages...

Benefits :

1 – Perpetuity is a long time : can you and/or how can you **remain effective** while remaining true to values established on a perpetual basis ? There may be a mismatch between the mission stated and new necessities that arise.

2 – Why not tackle with as many financial means as possible the **pressing issues** of our time, why wait when climate change for instance requires **immediate action**. What is the use of perpetuity if the human race is extinct ? **Short term allows a much greater sense of focus.**

3 – In a foundation set up to last forever, it is **hard to maintain the real value of the endowment** after inflation ; therefore the decisions to spend no more than 5% a year : out of 100 million euros, yearly spending is only 5 million euros ; not much leverage on pressing issues...

4 – It is hard to find a stimulus to renew your practise ; routine and bureaucracy take the pace.

5 – If we consider what is happening now in the world of foundations, more and **more foundations will crop up** while you are getting extinct...

Disadvantages :

1 – There are issues that take a **longer term to mature** and you can on the long term maximise your benefits to the world : campaigns for « peace », « social justice », « equality » for instance take decades.

2 – There are issues that require **building confidence** and that takes time.

3 – Some foundations claim they have been much more effective in the 2nd 50 years of their existence : there has been **maturity** rather than ossification.

4 – The risk is that you run on the **whim** of the new board.

5 – Can you be sure you will make a significant change ?

A hybrid perhaps ? The role of the mission assigned

- Foundations are a **reservoir** of resources to tackle long term issues ; it allows them to take risks. They should also be the repositories of long term thinking.
- It all depends what you are trying to achieve : you can spend large sums when you feel you can **make a difference**.

As a conclusion : it is necessary to recall the importance of how the mission is defined

- It is certainly very important that the mission of a perpetuity foundation should give **unfettered discretion** to the generations to come (the case of the Rowntree Charitable Trust for example !) and insist on a **decennial review** of what has been done.

Françoise Astier, Charles Leopold Mayer Foundation, 2007



<http://creativecommons.org/licenses/by-nd/2.0/fr/deed.fr>