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# Foundations and social economy: conceptual approaches and socio-economic relevance

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## ABSTRACT

*Theoretical debate about the nature of charitable foundations has traditionally become polarized around two distinct conceptual approaches: the non-profit or third sector approach, versus the social economy approach. This research tries to find a common ground between these two approaches, and to highlight the specificities of the foundation as an organizational formula, supporting its current socio-economic relevance with latest quantitative data on the contemporary Spanish foundation sector. In order to achieve this purpose, data from the main empirical studies about the sector during the last decade are compared, with a special focus on those obtained by the recently constituted Institute for Strategic Analysis of Foundations (INAEF).*

KEY WORDS: Foundations, social economy, non-profit organizations, third sector, socioeconomic impact, INAEF.

ECONLIT DESCRIPTORS: D640, D710, L300, L310, L390.

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## **Fundaciones y economía social: enfoques conceptuales y relevancia socio-económica**

**RESUMEN:** El debate teórico sobre la naturaleza de las fundaciones ha estado polarizado tradicionalmente en torno a dos enfoques conceptuales distintos: el enfoque del sector no lucrativo vs el enfoque de la economía social. El presente estudio trata de encontrar el punto en común entre estos dos enfoques, así como destacar las características específicas de la fundación como fórmula organizativa, fundamentando su relevancia socio-económica en los últimos datos cuantitativos disponibles acerca del actual sector fundacional español. A fin de alcanzar este objetivo, se comparan los datos de los principales estudios empíricos desarrollados durante la última década en este sector, prestando especial atención a los obtenidos por el recientemente constituido Instituto de Análisis Estratégico de Fundaciones (INAEF).

**PALABRAS CLAVE:** Fundaciones, economía social, organizaciones no lucrativas, tercer sector, impacto socioeconómico, INAEF.

## **Fondations et économie sociale : approches conceptuelles et pertinence socioéconomique**

**RESUME :** Le débat théorique sur la nature des fondations de bienfaisance s'axe traditionnellement autour de deux approches conceptuelles : l'approche du tiers secteur ou non lucrative et l'approche de l'économie sociale. Cette étude tente de trouver des points communs entre ces deux approches et de mettre l'accent sur les spécificités de la fondation en tant que formule organisationnelle, en soutenant sa pertinence socioéconomique avec les données quantitatives les plus récentes du secteur des fondations espagnoles contemporaines. Afin d'atteindre cet objectif, les données des principales études empiriques sur le secteur au cours de la dernière décennie sont comparées, avec une attention particulière portée sur les données obtenues par l'Institut d'analyse stratégique des fondations (INAEF) récemment constitué.

**MOTS CLÉ :** Fondations, économie sociale, organisations à but non lucratif, tiers secteur, impact socioéconomique, INAEF.

## 1.- Introduction

Research interest in the philanthropic behaviours of individuals and households, on the one hand, and on the activities of foundations and other philanthropic organizations, on the other, has exponentially grown during the last decades (Bekkers and Wiepking, 2007). Philanthropy, defined as voluntary action for the public good (Payton, 1988), has therefore emerged and expanded internationally as a multi-disciplinary research topic. Analysis of experimental evidence on altruistic, generous, fair or pro-social behaviours of individuals (charitable giving, volunteering, solidarity, reciprocity, etc.), and of the influence of related social values, preferences and perceptions on variations of redistributive policies, welfare regimes, and philanthropic activity, have been performed from the realms of different disciplines such as economics, sociology, political economy, history, psychology, social choice theory, or marketing (Weisbrod, 1988; Alesina and Angeletos, 2005; Andreoni, 2001 and 1988; Batson and Powell, 1998; Hall, 2006; Brown and Ferris, 2007; Fehr and Schmidt, 2003; Fong, 2001; Keillor, Owens and Pettijohn, 2001; Powell and Barrientos, 2004; Sargeant and Woodliffe, 2007; to mention only a few examples).

Philanthropic organizations have been approached as part of civil society, the non-profit sector or the social economy as a diverse universe of self-governing organizations, that are located between the Market and the State, which envision profit as a means instead of an end per se, and which primary aim is to serve the public good from the realm of voluntary private initiative. Two partially confluent research traditions studying philanthropic organizations have consolidated: the non-profit or third sector tradition, of U.S. origin (Salamon and Anheier, 1996, Powell and Steinberg, 2006), and the social economy sector tradition, of Euro-Mediterranean origin (Borzaga and Defourny, 2001). Estimates of the weight of philanthropic organizations relative to macroeconomic variables such as GDP and employment have been produced, either as part of social economy (together with associations, cooperatives, mutuals, and other social enterprises); or as part of the non-profit or third sector (together with associations, sports and educational institutions, savings banks and other non profit-distributing entities). The latter have been mainly produced under the Johns Hopkins Comparative Nonprofit Sector Project on the scope, structure, financing, and role of the non-profit sector in over 40 countries (Salamon et al., 2004).

Foundations, being the typical philanthropic organization, have been additionally subject to intense research interest from a legal and fiscal perspective, examining the normative and political environment surrounding them and constraining/enabling their activity, and also their roles in society, both nationally and internationally (Anheier and Daly, 2007; Breen, 2008; European Foundation Center (EFC), 2007a and 2007b; Hopt, Walz, Von Hippel and Then, 2006; Schlüter, Then and Walkenhorst,

2001). Within this context and during the last decade, Prof. Chaves and Prof. Monzón have raised in Spain an interesting scholarly debate about the frontiers and conceptual ambiguities existing between social economy and the third sector; and also relative to the different typologies of constituent organizations (Álvarez and Sanzo, 2009).

In this context, the main goal of this paper consists of discussing, from a conceptual and comparative point of view, what a foundation is, and to which extent this organizational formula fits within the rich universe of entities that configure social economy. In this sense, the main defining elements of such organizations, either shared with or differing from those characterizing other key social economy and third sector actors, are analyzed in depth. This conceptual approach is complemented with empirical data supporting the socio-economic importance of the foundation sector within Spanish society and in the context of the current economic crisis. The first quantitative evidences obtained by the Institute for Strategic Analysis of Foundations (INAEF) are described and further discussed.

The INAEF is an applied research initiative launched in late 2009 by the Spanish Association of Foundations (AEF), which mission is to generate and disseminate useful knowledge about the organizational features and socioeconomic impact of Spanish charitable, non-profit foundations, with a strong emphasis on sustainability of data gathering and international comparability. The Institute has been created in the context of the scarcity of accessible, systematic and comparable empirical data about philanthropy in Europe and, particularly, in Spain (Rey García, 2009). In the short-term, the INAEF seeks to overcome existing barriers to systematic gathering, access and dissemination of data about philanthropic organizations and philanthropic giving in Spain, and to provide incentives for research and analysis on these issues. Its long-term goal is to strengthen the ability of the Spanish foundation sector to contribute to social innovation and economic welfare through reinforced accountability and transparency. The Institute has been funded from its inception by a group of prominent Spanish foundations: Ramón Areces, Marcelino Botín, Rafael Del Pino, ONCE, Santander, and Telefónica.

## **2.- Foundations and the conceptual frontiers between the social economy and the third sector**

The foundation formula has been envisaged in almost every legal system of the Western hemisphere (Cabra de Luna, 1998; Gardeñes Santiago, 2007), and has become one of the most frequently used organizational formulas within the context of the non-profit sector, together with the associative one. In fact, there is an ongoing debate about the need to elaborate a *European Foundation Statute*, as foundations can freely operate within the EC and have increasingly become transnational actors (Cabra de Luna y De Lorenzo, 2010). In the particular case of Spain, and from the reading of the 1978 Constitution (Art. 34, relative to the right to found for charitable purposes) and the current Foundation

Law (Arts. 2, 4.1, 4.2. and 5.1.2. of the Ley 50/2002, de 26 de diciembre, *de fundaciones*), it could be inferred that “being called” foundation is equivalent to “being” a foundation. This aprioristic thought, however, does not hold in reality.

First of all, although the inscription of a newly born foundation in a public foundation registry has a constitutive nature, the absence of such inscription does not determine by itself the extinction of the foundation. Therefore, it could be the case that a foundation had acquired legal personality despite the fact that the public act of its constitution had not yet been inscribed in the corresponding registry (Morillo González, 2007). On the other hand, it should be noted that, beyond the limits of Civil Law, the word “foundation” can acquire very different meanings; e.g. under Canon Law. From such a perspective, the term can refer to either the actions of individuals who give for religious charitable purposes, or to the legal institution constituted by the permanent entailment of assets to such purposes (García Andrade y Pindado, 2010). Therefore, a foundation cannot be exclusively delimited as unit of analysis in Spain in terms of its name; as it would be otherwise the case in certain countries.

An alternative delimitation criterion would consist of the legal nature of the entity. The scope of our analysis could therefore be limited to foundations of a private legal nature, i.e. non-profit organizations aiming at public benefit purposes, operating under private law, and having incorporated under the aforementioned foundation law (Ley 50/2002; and Ley 30/1994 until 2002). So-called public foundations would be inversely excluded from the analysis, i.e. entities of public legal nature incorporated under the foundation formula.

It cannot be understated, however, that the application of the epithet “public” to foundations, on the one hand, and the utilization of the foundation formula by public sector endeavours, on the other, have spread confusion among the legal nature of the entity, the nature of its controlling body, and the applicable regulatory regime (Jiménez, Viaña, et al., 2007). More specifically, two strictly different categories should be distinguished. The first one including “foundations” *stricto sensu* (i.e. private) created or promoted by public entities (and frequently and confusedly called “public foundations”), which legal nature is private regardless of the applicable regulatory regime. The second category would be formed by “foundations” which are “public law entities, subject to administrative law like any other entity with public legal personality” (Piñar Mañas, 2010), and would be illustrated in Spain by the so-called “health public foundations” and “service public foundations”. While the first category has notably expanded within the Spanish foundation sector and belongs to the scope of this analysis, the second one represents a residual group of autonomous public entities that has been excluded when defining our unit of analysis.

Once the limitations of the *name* and *legal nature* criteria have been stated, a third criterion based on the applicable *legal regime* could be explored (i.e. Ley 50/2002, de 26 de diciembre, *de fundaciones*), only to conclude that it is even less useful than the other two. Going back to the case of foundations promoted by the Catholic Church and incorporated under Canon Law, they are subject to State norms, regardless to the specific regime granted to them by the agreements between the Vatican and the

Spanish government. Another example would be provided by private foundations promoted by public sector administrations and entities, which are subject to a complex combination of private law norms (mainly the State and regional foundation laws), and administrative laws and regulations.

A fourth criterion, a *registry* one, is considerably more useful to clearly define the boundaries of the foundation as unit of analysis, as all private foundations must be inscribed in the corresponding official registry in Spain (Ruiz Ojeda, 2007). The application of this criterion has led us to exclude the following “foundations” from our unit of analysis: (1) National Heritage foundations, which are explicitly excluded from the scope of the 50/2002 foundation law; (2) strictly public foundations that were not incorporated under the 50/2002 foundation law (or previously under the 30/1994 foundation law); (3) financial entities of foundational nature, mainly savings banks, as their financial character dominates over their legal form; and (4) all foundations incorporated under Canon law that have not been inscribed in the corresponding registry (in this case depending of the Ministry of Justice).

To summarize, and taking into account the different delimitation criteria, foundations would be defined as *entities with their own legal personality, that do not distribute profits and aim at public benefit purposes; that have been constituted and inscribed as such before the corresponding foundation registry; and are of a private nature and basically subject to private law (i.e. civil law fundamentals that are under State rule; regardless of applicable specific regulations* (Rey and Álvarez, 2011). Table 1 summarizes all features being necessarily found in combination in foundations subject to our analysis.

**Table 1. Defining features of foundations under the scope of analysis**

<b>1. Name</b>	Includes the word “foundation”
<b>2. Autonomy</b>	Granted own legal personality
<b>3. Legal nature</b>	Private
<b>4. Constitution</b>	Inscribed in the corresponding foundation registry
<b>5. Purposes</b>	Public benefit (charitable)
<b>6. Income</b>	Cannot be distributed (non-profit)
<b>7. Founders</b>	Organizations, including public sector ones, and/or individuals
<b>8. Beneficiaries</b>	Generic groups of individuals
<b>9. Governance organ</b>	Board of trustees
<b>10. Supervision</b>	By public protectorates
<b>11. Payout rate</b>	70% of annual net income, regardless of option for the special fiscal regime
<b>12. Fiscal regime</b>	Favourable and optional

SOURCE: Authors' own elaboration.

Once defining features of the foundation legal formula have been described, the theoretical or conceptual framework accommodating its organizational translation should be developed. As suggested by Jiménez, Viaña et al. (2007), “*theoretical debate about foundations has been traditionally dominated by two opposing approaches*”: on the one hand, the *non-profit* or *third sector* approach; on the other, the *social economy* approach. A description of the main features, references and criticisms of these two conceptual approaches follows, continued with a debate about its assumedly opposed or mutually exclusive character; to conclude that they should be considered mutually inclusive, at least relative to part of the foundation sector. Concluding remarks will consequently emphasize the intrinsic specificities of the foundation formula, along the lines suggested Jiménez, Viaña et al., (2007) under the so-called *pure foundational approach*.

The *non-profit*, or *third sector* approach states that foundations “*are civil society and belong to the so-called Third Sector*” (Piñar Mañas, 2010), thus closely linking the foundational phenomenon to the associative one, and clearly differentiating them from both the Market and the State. This first approach is best represented by academic work by Professors Salomon and Anheier, mainly under the Johns Hopkins Comparative Nonprofit Sector Project in the international context, and by Professor Ruiz de Olabuénaga in Spain<sup>1</sup>. A first possible criticism to this approach argues that it was born in narrow connection with the Anglo-Saxon context, particularly the United States, therefore missing differences specific of the European environment, including Spain. A second piece of criticism has consisted in denying the connection between foundations and associations, given that both formulas significantly differ from each other, not only in terms of their basic mission (the “public benefit” purpose that defines foundations in most countries does not necessarily guide associations), but also in terms of basic rules regarding their constitution, governance, operations and termination procedures.

On the other hand, under the *social economy* approach, foundations -or at least part of them- together with other legal formulas for non-profit organizations or *non-capitalist* enterprises, are considered to be social economy entities belonging to the *non-market producers* subsector; i.e. those mainly funding their operations from non-market sources such as donations, asset returns or public subsidies. Main conceptual references for this approach can be found in research by Professor Defourny, in the European context, and Professors Barea, Chaves and Monzón, within Spain<sup>2</sup>. Again, this perspective is subject to criticism as foundations are mixed not only with other non-profit organizational formulas (basically associations, but also religious institutions), but also with social economy for-profit enterprises (mainly cooperatives and labour societies). Second criticism relates to the frequent extension of the social economy umbrella to the foundation sector as a whole, omitting the fact that only private foundations which are *non-market producers* may belong to the social economy (Barea and Monzón, 2011).

1.- Their most frequently quoted works in academic literature are probably Salomon (2004), Salomon and Anheier (1996 and 1999) and Ruiz de Olabuénaga (2000 and 2006).

2.- Under this perspective, works most frequently quoted are Defourny and Monzón (1992a and b), Barea and Monzón (1995 and 2011), Chaves, (1999); Chaves and Monzón (2001, 2006 and 2008) and Monzón Campos (2006 and 2011).



If these two approaches were jointly taken into consideration with the institutionalization of the sector, and also with its relevance within the international and national socio-economic reality (Rey and Álvarez, 2011), the foundation figure should emerge as a specific private and non-profit institution, clearly differing from other legal formulas utilized in the non-profit or third sector (basically associations), and with a significant presence within social economy as far as social action foundations and other private foundations connected to traditional social economy figures (savings banks, credit cooperative societies, mutuals or cooperatives) would be considered non-market producers according to the aforementioned definition. More specifically, they would be “private entities which are formally organized, take decisions autonomously, and freely adhere; which produce non-market services for households, and which surplus, whenever existing, cannot be appropriated by their founding, controlling or funding agents” (Monzón Campos, 2010).

Most foundations belonging to the social economy also belong to the “Nonprofit institutions serving households” category under national accounting systems<sup>3</sup>; and are therefore frequently identified in the literature as “private foundations serving households” (Barea and Monzón, 2011 and Monzón Campos, 2010). From the perspective of the *International Classification of Nonprofit Organizations* (ICNPO), they would be mainly included within groups 4 (social services), 6 (development and housing), 7 (law, advocacy and politics), 8 (philanthropic intermediaries and voluntarism promotion) and 9 (international). To summarize, the main goal of these entities, like any other social economy figure, is to satisfy the needs of individuals, households or families, who are the true beneficiaries of goods and services delivered.

On the contrary, those foundations that are *market producers* would be excluded from the social economy. This category includes the so-called enterprise foundations and those foundations voluntarily funded by market producers, which main activity consists in providing them with services (Barea and Monzón, 2011). These entities are represented in the other four sectors of national economy, but not within the “Nonprofit institutions serving households”-sector. Again, from the point of view of the ICNPO, such foundations would mainly belong to groups 1 (culture and recreation), 2 (education and research), 3 (health), 5 (environment), 10 (religion), and 11 (business and professional associations, and unions).

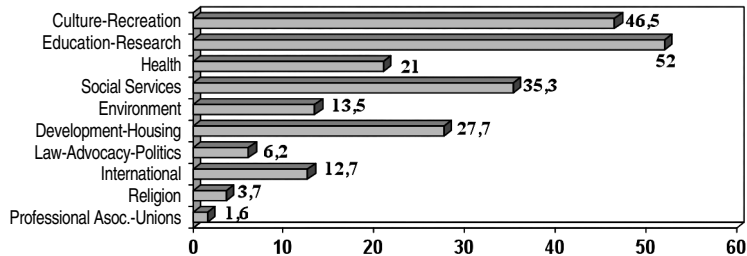
3.- This category comprises nonprofit institutions with their own legal personality that serve households and are private non-market producers (Barea and Monzón, 2011). Their resources mainly originate from voluntary cash or in-kind contributions donated by households as consumers, public subsidies, and asset returns; and also revenues from occasional sales (as far as those sales cover less than 50% of production costs).

### **3.- Socio-economic relevance of the contemporary Spanish foundation sector**

In year 2000 the EU-15 had over 75,000 foundations, after strong growth since 1980 in the EU-25, including the recent EU members in Central and Eastern Europe (Richardson, 2003). It should be noted that in nine EU countries -Spain, Germany, France, Belgium, Italy, Sweden, Slovakia, Estonia, and Luxembourg- 43% of existing foundations have been endowed during the past 15 years (EFC, 2008). Foundations have therefore become a research-worthy socioeconomic agent in Europe during the past three decades, increasing their relative weight within the third or non-profit sector, while joining the consolidated stream of literature that has outlined a social economy sphere composed by four families: co-operatives, mutual societies, associations, and foundations.

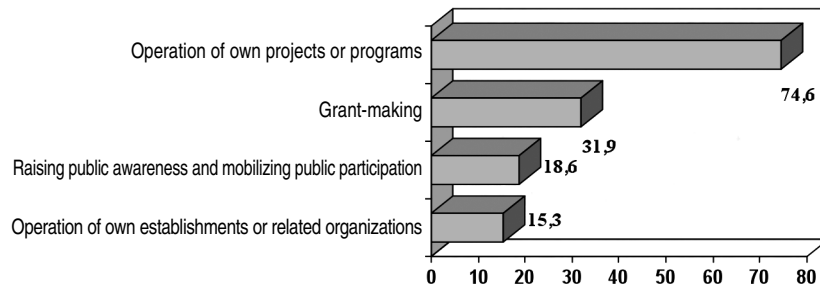
In the Spanish case, these dynamics of growth are evident in terms of number of organizations. Spain is probably one of the EU member countries with a highest number of registered foundations today, with 12,921 registered and non-extinguished foundations as of late 2009; 9,050 of them being estimated as active according to the Institute of Strategic Analysis of Foundations or INAEF (Rey and Álvarez, 2011). Although the percentage of registered foundations with no significant recent activity has been consistently estimated to be around 30% of total and even higher, empirical research demonstrates that the rate of creation of new foundations has significantly accelerated since the advent of Democracy after Franco's dictatorship (1939-1975), and specifically since the 90s. The annual average number of new foundations has escalated in Spain from 80 in the 80s, to 255 in the 90s (AEF, 2007), and to 458 between 2003 and 2008. At least 359 new foundations were created in 2009, the first full year under the effect of current economic crisis in Spain. The Spanish foundation sector is therefore mostly composed by "young" organizations. More specifically, 65.3% of registered foundations which have not been formally extinguished are under 15 years old; i.e. have been created after the first foundation Law of 1994, which was the true turning point of the annual rate of growth in the number of foundations in the country.

Furthermore, the sector shows an outstanding degree of dynamism in almost every area of public benefit activity of Spanish society. The following areas of activity are of special importance (see Figure 1): education and research (52% of Spanish foundations are mainly active in these areas), culture and recreation (46.5%) and social assistance (35.3%). Other booming areas are development and housing (27.7%) and health (21%); the rest of areas being pursued by a percentage of foundations under 20%, always according to the *International Classification of Nonprofit Organizations* (ICNPO).

**Figure 1. Main areas of activity of Spanish foundations**

SOURCE: INAEF (Rey and Álvarez, 2011).

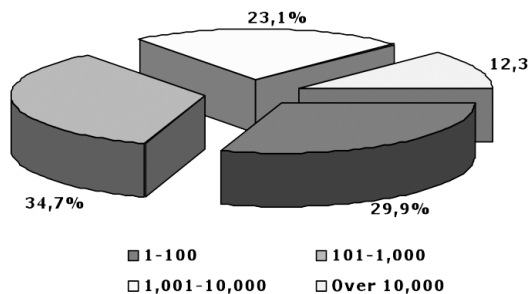
Spanish foundations respond to the operating model, particularly when compared with the traditionally Anglo-Saxon grant-making model (Figure 2). Therefore, they devote their resources to operating their own projects or programs (three out of four Spanish foundations choose this type as their main model of activity), establishments (particularly for social assistance), or entities with their own legal personality (basically other nonprofits such as associations); their outputs mainly consisting in the provision of services. Inversely, other alternative activity models, although predominant among foundations in other cultural contexts (such as the US), and despite their complementary nature, are relatively minority options in Spain. Only 31.9% of foundations choose grant-giving as their main model of activity, as they devote their resources to grants, adopting a purely redistributive role. Finally, 18.6% of foundations mainly devote their resources to raise public awareness or to mobilize civic participation; their output mainly consisting in campaigns designed to influence social behaviours and opinions.

**Figure 2. Main models of activity of Spanish foundations**

SOURCE: INAEF (Rey and Álvarez, 2011).

The total number of individuals who have been final and direct beneficiaries of the activities of Spanish foundations, estimated over 18 million, is highly significant of their relevant social impact (Figure 3). More specifically, 96% of foundations signal groups of individuals as their main beneficiaries, with a special focus on the general public, followed by students, researchers and teachers, collectives in risk of becoming socially excluded infants and youth, disabled people, and families. Additionally, 54.2% include other organizations among their main beneficiaries, mainly other nonprofits (e.g. associations of victims of diseases or disabilities), businesses (e.g. R&D foundations promoted by industry associations), or public entities (e.g. R&D foundations promoted by public universities or hospitals). Such analysis confirms the notably high and growing degree of intermediation that characterizes the Spanish foundation sector.

**Figure 3. Number of direct beneficiaries (percentage of foundations for each interval)**



SOURCE: INAEF (Rey and Álvarez, 2011).

Significant growth in terms of number of new foundations created, levels of activity, diversity of public purposes pursued, and social visibility during the last three decades has translated into increased relative weight of this universe of civil society organizations within the non-profit sector and the social economy. The evolution of its macroeconomic magnitudes can be tracked, in the first place, through the collective studies directed by Prof. García Delgado (2004 and 2009)<sup>4</sup>, which results for years 2001 and 2005 are summarized in Table 2. Jiménez, Viaña, Alarcón, Calderón and Triguero. (2007) compare their 2001 data with those available for the Spanish economy as a whole, and conclude that in the early XXI century the Spanish foundation sector represents 0.575% of total equivalent paid employment, and 0.258% of Gross Value Added of the country.

4.- Apart from general studies detailed in this paper, other research Works have analyzed the social and economic relevance of Spanish foundations from different sector and geographic perspectives. Among most recent ones, the following should be mentioned: Ruiz Olabuénaga, et al. (2000 and 2006), Domínguez, Cerrato and García (2001), Bellostas, Marcuello, Marcuello and Moneva (2002), Asociación Española de Fundaciones (2007), Álvarez, Pedreira and Sanzo (2008), De Souza, Díaz and Simancas (2008), Mercader, et al. (2009), Coordinadora Catalana de Fundaciones (2009), Del Campo Martín (2009), Marcuello, et al. (2010), Fundación Luis Vives (2010) and Canto, López-Aróstegui, et al. (2010)

**Table 2. Macro-economic magnitudes of the Spanish foundation sector (2001 and 2005)**

	2001	2005
Number of registered foundations (total)	7,150	8,419
Number of active foundations (total)	2,490	6,047
Number of employees	85,835	116,370
Number of volunteers	44,452	149,789
Gross Value Added (million €)	1,697	558

SOURCE: García Delgado (Dir.) (2004 and 2009)

More recently, Monzón Campos (2010) has presented data relative to the Spanish foundation sector in 2008, within the context of a study about aggregated figures of the Social Economy in Spain. These data have been generated from a structured survey to a sample of 849 foundations, complemented with the analysis of annual accounts for 784 foundations as deposited in the corresponding public foundation registries and protectorates. Table 3 contains the main results for an estimated universe of 8,073 active foundations, distinguishing between public and private, the latter both market and non-market. Additionally, the Gross Value Added (VAB) generated by private foundations serving households (social assistance and other public benefit purposes) amounts to 1,424 million Euros; slightly over 5% of the VAB of Social Economy entities as a whole in Spain in 2008. Complementarily, Barea and Monzón (2011) further estimate from this research the output of private foundations serving households –also including 89 “obras sociales” or public benefit activities and foundations connected to savings banks– to amount to 3,580.1 million Euros (2,422.7 million exclusively corresponding to private foundations serving households); i.e. almost a third of the overall product of the “Nonprofit institutions serving households”-sector.

**Table 3. Active foundations in Spain (2008)**

Type of foundations	Number of		Disabled	Volunteers	Expenditures (Euros)
	foundations	Employees	employees		
Public	1,024	57,783	788	809	4.730.112.608
Private	7,049	171,686	26,418	146,258	11.987.714.019
Private and market	2,857	124,736	21,975	59,484	9.168.649.019
<b>Private and non-market</b>	<b>4,192</b>	<b>46,950</b>	<b>4,443</b>	<b>86,774</b>	<b>2,819,065,000</b>
- Private and non-market with social assistance purposes	1,644	28,868	3,702	58,186	1,052,094,605
- Other private and non-market	2,548	18,082	741	28,588	1,766,970,395
<b>Total number of active foundations</b>	<b>8,073</b>	<b>229,469</b>	<b>27,206</b>	<b>147,067</b>	<b>16,771,826,627</b>

SOURCE: Monzón Campos (Dir.) (2010).

Finally, results from aforementioned studies have been recently updated and complemented by the Institute for Strategic Analysis of Foundations (INAEF). On the one hand and according to this source, Spanish foundations have mobilized the participatory efforts of over 200,000 people in 2008 (Table 4). This notable set of human resources is widely diverse in terms of status (paid and unpaid), time commitment (from occasional project volunteers to full-time employees), and relationship to the organization (from payroll employees to external collaborators). Of the four types of human resources described, direct employment has shown an outstanding evolution since 2008. According to the INAEF (Rey and Álvarez, 2011), the behaviour of the foundation sector in terms of direct employment generated since the beginning of current economic crisis has been positive in comparison with other sectors of the Spanish economy. More specifically, and between 2008 and 2010, direct jobs generated by Spanish foundations have experienced a 7.78% increase (from 95,942 to 103,410 jobs); the number of foundations generating employment has increased 5.95% (from 3,515 to 3,724 foundations); and the average number of direct jobs per foundation has raised 1.73% (from 27.3 to 27.8 jobs per foundation).

**Table 4. Human resources in foundations: typology and basic data (2008)**

	<b>In-house</b>	<b>External</b>
<b>Paid</b>	<p><b>95,942 direct employees</b> Set of employees on the payroll of the foundation, either permanent or temporary, either full- or part-time.</p> <p>Source: Dirección General de Ordenación Económica de la Seguridad Social for 3,515 foundations.</p>	<p><b>15,916 indirect jobs</b> Estimate for the number of jobs generated by foundations by outsourcing their own areas of activity to a third party, and/or by funding the activity of other nonprofits; that would not exist otherwise.</p> <p>Source: online survey for 498 foundations.</p>
<b>Unpaid</b>	<p><b>36,135 board members</b> Individuals belonging to the governing board of the foundation (patronato), either on a personal basis or representing other entities with legal personality.</p> <p>Source: minimum starting point for 9,050 active foundations estimated from the online survey for 1,281 foundations.</p>	<p><b>48,391 volunteers</b> Individuals who have participated in the public benefit activities of the foundation in an altruistic way, without economic compensation, and without labour or contractual relationship with it during that year.</p> <p>Source: online survey for 498 foundations.</p>

SOURCE: INAEF (Rey and Álvarez, 2011).

On the other hand, economic data obtained for a sample of more than 3,800 foundations support their intensely “spending” nature, with aggregated expenditures over 5,222 million Euros in 2008, and a narrow surplus or positive difference between revenues and expenditures (Table 5). The first INAEF report (Rey and Álvarez, 2011) provides detailed data on each of the aforementioned macro-magnitudes. 53.6% of foundations exceed total expenditures of 150,000 Euros, and 11% have total expenditures over 2,400,000 Euros. Regarding assets volume, although the aggregated figure is not at all despicable (over 16,998 million Euros) and 60.1% of foundations have total assets over 150,000 Euros, it should be mentioned that these figures include assets of a very distinct nature, therefore subject to different valuation criteria.

**Table 5. Economic data (2008)**

Macro-Magnitude	Number of foundations	Total (million Euros)
Endowment	3,804	7,427
Assets	3,626	16,998
Total revenues	3,288	5,597
Total expenditures	3,262	5,222

SOURCE: INAEF (Rey and Álvarez, 2011).

Furthermore, 54,1% of existing foundations have endowments over 30,000 Euros, which are assumed as “sufficient” for the accomplishment of public benefit goals since the enforcement of the current foundation law (Ley 50/2002). Only a third of Spanish foundations have endowments similar or superior to their total revenues, suggesting the non-endowed nature of a vast majority (an endowed foundation being defined as one which endowment is significant enough for its returns to become the main funding source for its public benefit activities)

## 4.- Conclusions

The roots of the Spanish foundation sector go back to a centuries-old tradition of beneficent or philanthropic organizations in the country, either Catholic or lay. Foundations, defined as *entities with their own legal personality, that do not distribute profits and aim at public benefit purposes; that have been constituted and inscribed as such before the corresponding foundation registry; and are of a private nature and basically subject to private law (i.e. civil law fundamentals that are under State rule), regardless of applicable specific regulations*, currently constitute the majority of non-profit or third sector entities. The foundation formula has thus become the adequate legal formula to articulate, from an

organizational point of view, private initiatives for the public benefit, therefore channelling a significant portion of social entrepreneurship in Spain, and becoming a powerful alternative to the associative formula (Rey and Álvarez, 2011).

According to their position, foundations would be part of the group of non-market enterprises that belong to the universe of social economy. More specifically, certain types of foundations would belong to the subsector of non-market producers within social economy. This subsector includes social economy microeconomic organizations which mainly obtain their monetary resources out of the market, i.e. through donations, membership fees, or subsidies. Complementarily, and according to the methodology utilized by Profs. Barea and Monzón to elaborate the satellite accounts of Spanish social economy, foundations would be considered as private non-profit institutions (Barea and Monzón, 1995 and 2011). This dual conceptualization of foundations is currently accepted in Spain in the context of both social economy (García Delgado, 2005 and 2009 or Monzón Campos, 2010) and non-profit or third sector approaches (Beneyto Pérez, 2007 or De Lorenzo, Piñar and Sanjurjo, 2010).

This research demonstrates that the Spanish foundation sector as a whole has become a key social and economic development actor, as foundations have provided an organizational umbrella for an increasing portion of civil society initiatives in the country. Its growing relevance is supported by the highly significant number of member organizations, the wide diversity of social demands being addressed by them, the number of beneficiaries being served, the volume of direct and indirect employment generated, the volume of unpaid human resources mobilized (board members and volunteers) and, above all, the value of expenditures and other economic resources they devote to the public benefit purposes constituting their *raison d'être* (Rey and Álvarez, 2011).

In particular, the output of private foundations serving households represents almost a third of the overall product of the "Nonprofit institutions serving households" sector, as the recently elaborated satellite accounts of the private foundations serving households and savings banks' social work have stated (Barea and Monzón, 2011). Quantitative data included in this study highlight the importance of foundations as income redistributing agents, particularly in certain activity sectors emerging as key pillars for the development, strengthening, and internationalization of the Spanish economy, in the current context of economic crisis and globalized markets.



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