Bank foundations and urban governance in the austerity era: the Italian case.
Stefania Ravazzi, University of Turin

Over the last decades, European cities have been facing serious constraints. In particular, decreasing transfers from central governments and the introduction of domestic ‘Stability pacts’ have significantly reduced the leeway of city leaders.

Within this context, Italian cities have also been interested by a further phenomenon. In 1990, the national government privatized all the public banks and established the ‘bank foundations’ as majority shareholders of the banks with the obligation to reinvest the dividends in public interest projects. Over the years, these institutions have significantly increased their investments in the urban areas, projecting and implementing policies in the fields of culture, education, research and social assistance.

This paper aims at presenting the findings of an ongoing research project on the role of Italian bank foundations in urban governance. The paper offers an overview of the phenomenon in the Italian urban contexts and an in-depth analysis on two large Italian cities hosting bank foundations with an equity of over five billion euros: Milan and Turin. In particular, the comparative analysis focuses on two main research questions: Do bank foundations investments soothe the effects of the austerity measures imposed by the national government? Do these new institutions affect urban policy-making processes and city leaders’ strategies?
Over the last decades, globalization and social changes have increased the difficulties for local governments to address public problems and have induced the diffusion of various modes of governance, negotiating local policies with private actors and in particular with business leaders (DiGaetano and Strom 2003). The recent austerity era (Pollitt 2010; Lowndess and Pratchett 2012; Blom et al. 2014) has furtherly challenged the steering capacity of local governments, not only in terms of agenda-setting but even in terms of simple maintenance of the public services. As a reaction to this situation, local authorities have tried to diversify the revenue sources by establishing collaboration with a wider range of private actors (Richardson 2011; Meegan et al. 2013). As a consequence, public-private partnerships are now an usual way not only to promote long-term urban developmental agendas, but also to deliver public goods and services like social and education services, through the establishment of formal organizations and informal arrangements (Reynaers and DeGraaf 2014).

In this scenario, non-profit organizations are gaining prominence beside business actors, even in countries where the public sector has been dominant for decades, acting as public policy supporters and service providers (Knott and McCarthy 2007; Thuemler 2011; Pill 2013; Wang et al. 2011). In particular, philanthropic foundations that focus the operating activity on specific communities (the so called ‘community foundations’) are emerging as potential key actors in local governance (Anheier 2001; Knott and McCarthy 2007). The philanthropic foundations and the non-profit sector in general have been usually analysed from a managerial or sociological perspective. However, community foundations deserve to be observed also from a public policy perspective (Thuemler 2011). The present paper aims at adopting this latter viewpoint, by presenting the findings of an exploratory analysis of the policy impact that these foundations produce on the local governments’ policy-making.

The paper focuses in particular on the foundations of banking origin, which are considered a particularly interesting type of community foundations (Salamon 2014). A few cases of foundations of banking origin can be found around the world: the New Zealand communitarian trusts, created through the privatization of the public saving banks in the 1980s, the recent Austrian bank foundations led by the Erste Foundation, and the Italian foundations of banking origin, created in the 1990s. Among these, the latter have distinguished themselves both for the amount of the donations and for their particular mission: they are among the world’s biggest foundations that invest huge amounts of money in local public policies and they are also legally obliged to invest in public interest projects for their communities (Anheier 2001; Salamon 2014).

The paper presents an overview of the phenomenon in the Italian context and the findings of an empirical research, which has been driven by a main question: do these foundations have systematic policy impacts or does their impact vary in relation to the consolidated mode of urban governance that characterizes the urban context in which they operate? In particular, the paper has the aim of explaining whether and how this impact vary in terms of a) financial support to local governments against the austerity measures imposed by the national government and b) diffusion of new policy tools.

In order to answer the research question, the analysis has been conducted on two urban contexts: Milan and Turin. These two cities have been selected for three reasons. First, because of the dimension of the territories and the population size, their urban governments have to address important public problems through the deliver of several policies and services. Second, they host the biggest bank foundations in Italy, with equities of over five billions euros. Third, these cities have been governed for decades through two substantially different modes of governance: Turin has been characterized by a highly integrated mode of interaction between local government, private actors, non-profit organizations and universities (Dente, Bobbio and Spada 2005; Belligni and Ravazzi 2012; 2013); Milan has been characterized by a more fragmented governance, in which local government, private actors and non-profit actors act mostly separately and indipendently (Dente, Bobbio and Spada 2005; Galimberti 2013).
The analysis has been conducted working on different sources: official statistics, budget and mission reports of bank foundations and urban governments, a survey based on in-depth semi-structured interviews with various policy actors (local governors, civil servants, staff of foundations) in the two cities.¹

The paper begins by outlining the theoretical framework. The Italian local governance system is then briefly presented and an overview of the phenomenon of the foundations of banking origin is offered in the second section. The third section describes the two different governance modes that have characterized the two cities over the last decades. Sections four, five and six present the findings of the empirical research, which are summarized and argued from a more general perspective in the conclusion section.

**Philanthropic foundations, urban governance and public policies**

Local governments are facing hard times. Recent economic and social changes have generated new and diverse demands and globalization has pushed local governments to compete with the others in order to attract capitals, firms, workers and consumers (Le Galès 2002; Savitch and Kantor 2002; Rossi and Vanolo 2012; Sassen 2012). The evolution of the demographic composition, due to domestic dynamics and to the migration flows, has favoured the diffusion of new lifestyles and the diversification of citizen needs (Glaeser and Gottlieb 2006; Turok and Mykhnenko 2007; Kantor and Turok 2012). Moreover, most democratic countries, while progressively devolving policy responsibilities to local governments (Brenner 2004; Denters and Rose 2005; Lowndess and Pratchett 2012), have introduced austerity rules that limit local government expenditures (Brenner and Theodore 2002; Lowndess and Pratchett 2012; Meegan et al. 2013; Blom-Hansen et al. 2014; Overmans and Noordegraaf 2014).

In this new era of complexity, the capacity of local governments to solve problems is increasingly challenged and the economic recession has worsened the wellbeing of the local communities and furtherly reduced the resources of the public sector. Local governments can react to resource decrease in three ways: by cutting expenditures, changing the structure of local taxation or activating new non-tax revenues (Blom et al. 2014). Since the first two options are generally seen as counterproductive in terms of political consensus, city leaders and political officials try to focus on the latter. Among the various fund raising strategies, the collaboration with philanthropic foundations is spreading, especially with those that hold considerable resources, because their philanthropic nature make them potential key partners in the delivery of public services (Macdonald and Szanto 2007; Harrow and Jung 2011).

The universe of the philanthropic foundations is highly heterogeneous. Within this variegated world, some foundations operate truly as policy-makers and, although different systemic functions can be attributed to them (Anheier and Daly 2001), they are generally seen as co-producers of public goods that the governments do not manage to deliver at a sufficient level or with a sufficient degree of flexibility and creativity (Knott and McCarthy 2007; Suarez and Lee 2011; Thuemler 2011; Salamon 2014). This co-production work is performed mainly in two ways: through the transfer of financial resources to public or non-profit institutions for their activities and through direct delivery of services or the realization of own projects (Anheier 2001; Knott and McCarthy 2007).

Whereas these foundations intervene, does their intervention affect local public policies in terms of financial support to public services and diffusion of new policy tools? The literature on the topic offers different views.

According to some scholars, foundations’ projects and grants have a weak impact on local public policies: foundations do not usually act as policy entrepreneurs and follow policy proposals that come from the public sector or from the academic environments (Knott and McCarthy 2007; ¹ Some quotations will only be marked with numbers, as requested by the interviewees, who wish to remain anonymous.
Thuemler 2011). Different explanations are offered about this substantial subordination to the established policy-making. On the one hand, foundations would be characterized by the typically conservative approach of the philanthropic sector, which is mainly interested in maintaining the social order, so that they would provide only “palliative grants” whose aim is not properly to address public problems (Colwell 1993; Roelofs (2003). On the other hand, foundations would act mainly symbolically or instrumentally to improve their public image and their visibility, in order to gain higher social legitimacy (Thuemler 2011).

On the contrary, according to other scholars, foundations can produce considerable policy impacts. Clemens and Lee (2010) have argued that these new policy-making actors do not significantly change the established policy paradigms and tools, but their strong bargaining power may affect the agenda-setting and the definition of the expenditure priorities by the governments. For Gerber (2006) and Suarez and Lee (2014), foundations have the merit of promoting innovation through the experimentation of risky projects, that governments are used to avoid because of the political legacy of the elected authorities and the general inertia of the public administration towards change. Other researchers have pointed out that, in some cases, foundations’ grants have led to changes in the consolidated policy paradigms, favouring in particular the adoption of neo-liberal approaches based on less public regulation and production and the corporatization of public organizations (Schoeller 2006; Saltman 2010; Kovacs 2011; Pill 2013).

In the light of this debate, the paper aims at offering a contribution on the topic by comparing the policy impact of two of the world’s biggest philanthropic foundations that have been financing and promoting public policies in two different urban governance contexts.

Bank foundations in the Italian local governance system

Although Italian municipal governments may count on a lower share of revenue, expenditure and employees than those of Northern European countries, by the end of the decade their financial and fiscal autonomy has increased (Bobbio 2005; ISTAT 2013). The sustained decentralization process has also led to a significant expansion of their policy-making functions, especially in social services, education, housing, infrastructures, public transport, environmental protection and economic development (Vandelli 2004; 2014). Moreover, the 1993 institutional reform introduced the direct election of mayors and changed the local political system from the mayor-council to the strong mayor model. However, over the last years, decreasing transfers from the State and the Regions, the introduction of the domestic ‘Stability pact’ and the global economic crisis have lowered the level of local wealth and wellbeing and drastically reduced the financial resources of the municipal governements, inducing local public administrations to search for other non-tax revenues.

While the decentralization process was ongoing, the Italian government also implemented another reform: in 1990, many foundations were created after a process of ‘philanthropication thru privatization’ of the national banks (Salamon 2014). Many Italian banks (the so called ‘savings banks’) had a long history of blend of philanthropy and finance, that date back to the Renaissance. This mixture of functions continued also after their nationalization, during the Fascism period. When the national government implemented the 1990 reform, the two functions were separated, reserving the financial function to the privatized banks and leaving the philanthropic function to the new foundations. However, the law did not regulate several aspects of the new philanthropic organizations: their legal nature, the corporate governance, the fields of action, and above all their link with the banks. In the first years, the foundations maintained the control (in some cases also the total control) of the banks from which they had been unbundled and began to operate without any clear national regulation framework.

In 1998, the national government completed the reform and definitively established the features of these organizations. Firstly, the foundations of banking origin were defined as private organizations with financial autonomy, although within a strict legal framework (no speculations through risky financial instruments, diversification of the assets, no debts, public transparency of
the investments). Secondly, the government established two further attributes: their boards of directors must be the expression of the main local stakeholders (public and private, profit and non-profit) and the organizations have the legal obligation to reinvest their capital returns in public interest projects for their local communities, choosing among a list of policy sectors, which was again established by the legislator. These two aspects make these foundations a clear example of embedded philanthropy (Pill 2013) and a particular variant of the community foundations, which are ‘geographically embedded philanthropic yet multi-purpose organizations held capable of combining grant making with resource generation, donor services and community leadership’ (Jung and Harrow 2013, 409).

The 448/01 law and the 163/06 legislative decree have recently enlarged the list of the policy sectors, which now includes almost all the local policy competences: family support, youth development, education and training, charity, religion and spiritual development, social assistance, civil rights, crime prevention, food safety and quality agriculture, local development, social housing, consumer protection, civil protection, public health, sport, scientific and technologic research, environmental protection, arts and culture, public works and local infrastructures. The laws have also established that the foundations have to concentrate at least 50% of their donations in no more than five sectors. Over the years, most foundations have intervened mainly in six policy areas: culture, research, social services, education, public health, and local development (tab. 1).

Table 1. Grants and donations of foundations of banking origin

<table>
<thead>
<tr>
<th>Policy sectors</th>
<th>2003 million euros</th>
<th>%</th>
<th>2008 million euros</th>
<th>%</th>
<th>2013 million euros</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and culture</td>
<td>337.9</td>
<td>35.5</td>
<td>513.1</td>
<td>35.9</td>
<td>269.2</td>
<td>36.3</td>
</tr>
<tr>
<td>Research and development</td>
<td>111.5</td>
<td>11.7</td>
<td>251.6</td>
<td>17.6</td>
<td>128.3</td>
<td>17.3</td>
</tr>
<tr>
<td>Social assistance</td>
<td>150.6</td>
<td>15.8</td>
<td>151.1</td>
<td>10.6</td>
<td>119.8</td>
<td>16.2</td>
</tr>
<tr>
<td>Education</td>
<td>184.7</td>
<td>19.4</td>
<td>216.9</td>
<td>15.2</td>
<td>105.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Public health</td>
<td>92.2</td>
<td>9.7</td>
<td>122.2</td>
<td>8.5</td>
<td>68.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Local development</td>
<td>74.6</td>
<td>7.8</td>
<td>175.6</td>
<td>12.3</td>
<td>49.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>0.1</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>952.5</td>
<td>100</td>
<td>1430.5</td>
<td>100</td>
<td>740.7</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ACRI (2014)

According to the 2013 Report of the National Association of Foundations and Saving banks (Associazione delle fondazioni e delle Casse di Risparmio SpA, ACRI), Italy counts 88 foundations of banking origin. The landscape is rather heterogeneous: the boards of directors are mixed in most foundations, but a few are exclusive expression of the private non-profit sector; most foundations still have consistent investments in their original banks, while some have completely disinvested their bank shareholdings; the net assets range from two million euros to over five billion euros; 70% of the assets is concentrated in Northern Italy and the biggest foundations (with net assets of over one billion euros) are located in only ten cities (fig. 1) and provide 75.3% of the total donations.

Among these, the Cariplo Foundation, based in Milan, and the Compagnia di San Paolo, based in Turin, are the biggest, both in terms of net assets (comparable to those of the biggest american philanthropic foundations, like the Ford Foundation and the J.P. Getty Trust) and amount of donations in the local community (tab.2). According to a recent comparative study, these two bank foundations have emerged as ‘the most solid, rich and maybe generous per capita philanthropic investors in Europe, if not even in the world’ (Salamon 2014, 19). Turin also hosts another big bank foundation with a net asset of over 2 billion euros: the CRT Foundation.

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2 According to the National Association of Foundations and Saving banks (XIX Report on bank foundations, 2013), bank foundations hold an average of 38% of bank shares, although both the shares and the net assets of the banks vary significantly.
Figure 1. *Geographical distribution of the big foundations of banking origin (net asset of over 1 billion euros)*

![Figure 1](image)

Table 2. *Net asset and annual donations of the big foundations of banking origin (2013)*

<table>
<thead>
<tr>
<th>Foundations</th>
<th>Net asset (million euros)</th>
<th>Donations (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassa di risparmio delle Province Lombarde (Carpio) (Milan)</td>
<td>6.624</td>
<td>139</td>
</tr>
<tr>
<td>Compagnia di San Paolo (Turin)</td>
<td>5.664</td>
<td>124</td>
</tr>
<tr>
<td>Cassa di risparmio di Verona/Vicenza</td>
<td>2.669</td>
<td>90</td>
</tr>
<tr>
<td>Cassa di risparmio di Torino</td>
<td>2.069</td>
<td>74</td>
</tr>
<tr>
<td>Cassa di risparmio di Padova/Rovigo</td>
<td>1.763</td>
<td>58</td>
</tr>
<tr>
<td>Fondazione Roma</td>
<td>1.455</td>
<td>40</td>
</tr>
<tr>
<td>Cassa di risparmio di Cuneo</td>
<td>1.346</td>
<td>24</td>
</tr>
<tr>
<td>Cassa di risparmio di Firenze</td>
<td>1.310</td>
<td>24</td>
</tr>
<tr>
<td>Cassa di risparmio di Lucca</td>
<td>1.192</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Annual bank foundations reports

Only a part of their grants and donations serves to finance projects and activities that concern the urban metropolitan area or provincial territory in which the foundations are located. However, their local communities usually receive more than 50% of the total amount of donations and in some cases they receive more than 90%.

The role of bank foundations in the urban policy-making has been recently debated, in the newspapers and in the political arenas, although they are almost ignored by political scientists and by local government scholars. Some people state that foundations promote very small low-risk projects that support mainly voluntary organizations, others state that they support largely the financial capacity of the local governments, through direct or indirect flows of money to local government activities. Some consider them inefficient for their high staff wages and operating costs, while others defend their value in terms of subsidiary public functions and support for the search for new and better policy tools. The following pages will address some of these issues.

**Two cities, two modes of governance, three foundations**
Milan and Turin are two of the three nodes of the past Italian industrial triangle (together with Genoa). Their local economies were partially different (more diversified the former, focused on manufacturing the latter) during the economic boom, and today their ‘bargaining contexts’ (Savitch and Kantor 2002) still remain partially different: Milan has become a global city, while Turin has remained a ‘second-tier city’, with a higher unemployment rate and a lower per capita GDP (tab. 3). However, the two cities are similar in terms of composition of the local economy and in terms of urban unsolved problems, like the increasing poverty, the social and territorial inequalities, the low integration of many immigrants, the dramatic situation of the air quality, the traffic management, and the lack of coordination of the metropolitan area (Tortorella 2010; Amato et al. 2011).

**Table 3. Economic indicators of the big Italian cities (2011)**

<table>
<thead>
<tr>
<th></th>
<th>per capita GDP at basic price in current euros</th>
<th>Agriculture (% of GDP)</th>
<th>Industry (% of GDP)</th>
<th>Services (% of GDP)</th>
<th>Total unemployment rate (%) 2013</th>
<th>Local economy openness (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milan</td>
<td>43.529</td>
<td>0.2</td>
<td>21.8</td>
<td>78</td>
<td>7.7</td>
<td>77.9</td>
</tr>
<tr>
<td>Turin</td>
<td>27.134</td>
<td>0.5</td>
<td>25.5</td>
<td>74</td>
<td>11.4</td>
<td>54.4</td>
</tr>
<tr>
<td>Rome</td>
<td>31.163</td>
<td>0.4</td>
<td>12.4</td>
<td>87.3</td>
<td>11.3</td>
<td>28.6</td>
</tr>
<tr>
<td>Naples</td>
<td>13.836</td>
<td>1.2</td>
<td>14.5</td>
<td>84.4</td>
<td>25.7</td>
<td>28.3</td>
</tr>
<tr>
<td>Palermo</td>
<td>16.430</td>
<td>2.1</td>
<td>11.1</td>
<td>86.7</td>
<td>20.7</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Source: Database of the National Department for Local Economic Development

Many ambitious projects have been promoted and implemented in both cities over the last decades, like the construction of new buildings, the renovation of the downtown centres, major transport infrastructures, culture initiatives and pro-growth policies in order to steer the local economy. Furthermore, in both cities, business actors and non-profit actors have been playing a key role in promoting and supporting several projects. However, the mode in which city leaders and elected officials have interacted with private actors in order to address urban problems has been different: in Turin, the urban governance has been far more complex than in Milan (Dente, Bobbio and Spada 2005) and it has taken the form of an urban regime (Belligni and Ravazzi 2013).

Pierre (2014) has recently outlined clearly the features of the urban regime species within the urban governance genus: the coalitions between public and private actors tend to be more institutionalized and stable in an urban regime and the political leadership has a more proactive role, whereas the urban governance is characterized by ad hoc and contextually defined public-private interactions and the commitment of the political leadership is weaker. More specifically, the urban regime in Turin has been characterized by a high degree of integration (stable although informal partnerships), pluralism (number of actors involved in policy-making) and proactive role of the political leadership in some policy areas and for some key decisions, while the Milan urban governance mode has been more fragmented (almost none or mainly symbolic partnerships), less plural and driven mainly by the private sector (Dente, Bobbio and Spada 2005; Belligni and Ravazzi 2013).

The patterns of interactions between the foundations of banking origin and the local governments (political leadership and local public administration) in the two cities are consistent with their different modes of governance. In Turin, the collaboration has been much more integrated and has concerned long-term strategic decisions, as well as the co-financing of several public policies and services. This model has been working for decades as ‘a gradual construction of consensus and mutual recognition’ (1.9). As a senior civil servant of the Municipality of Turin stated: ‘I have been working in this division for more than ten years and I do not remember any policy sectors in which foundations have not intervened and collaborated with the municipality’. This collaboration has also taken place through institutionalized forms, like official agreements and negotiation tables. Some examples can be cited to exemplify this integrated model: the ‘Protocol for the development of welfare programmes’, that concerns the co-financing of several local welfare policies, from childcare to social-assistance; the informal agreement to rationalize some inefficient
public-private partnerships established over more than one decade, in order to merge them into one
development agency with the task to promote integrated developmental policies (environmental,
economic and social); the negotiation tables for social housing projects, income support policies
and education policies.

In Milan, the activity of the Cariplo Foundation and the policy-making of the local government
have followed independent trajectories, punctuated by sporadic convergences. At the level of
strategic decisions, there have been arrangements between the city leaders and the vertex of the
foundation, but without any institutionalized framework and mainly in the form of extraordinary
collaborations (like for the 2015 Expo events) and through one-shot public-private partnerships for
pluriannual flagship projects: ‘when a new mayor and a new council start their mandate, the
foundation grants the new mayor the financing of a large infrastructural project. In the last fifteen
years, the foundation has financed the renovation of important historic buildings’ (I.3). In terms of
policies, the foundation operates mostly through open calls on specific topics, and a direct
collaboration with the municipality happens only occasionally. Just to cite the most recent example:
‘the joint venture between the municipality and the foundation on the urban ‘food policy’ was
established only after years that both the institutions had been working on their own, and only after
that eminent personalities invoked their collaboration for the upcoming Expo event’ (I.5).

What kind of impact do foundations’ activities have on local policies and does their impact vary
in relation to these different modes of governance?

**An escape from austerity**

The precise quantification of the foundations’ support to public sector expenditures is hardly
calculable, because also the grants to private organizations that deliver services for the public sector
are indirect supports to local governments. The official statistics produced by foundations and the
only city budgets would thus underestimate the situation. However, the interviews allow to
reconstruct a quite clear picture of the phenomenon. The following quotation is representative of a
widely diffused opinion among civil servants and city leaders in both contexts: ‘Living in cities that
host big foundations makes a great difference, the local government can benefit from a large
support for the delivery of public services and the production of public goods’ (I.6). The
investments in public policies are seen also by the foundation leaders as an essential task in a new
world of public-private intervention:

> There is no more hierarchy of well-being guarantors, with the government playing the main role
> and the other actors playing secondary roles. Foundations are not only organizations that
> intervene to produce goods and deliver services that the State does not, but organizations that
> act to solve public problems, whose definition is not anymore a prerogative of the public sector.
> (I.9)

According to the budget sector civil servants, the investments in public policies and the delivery
of collective services has been huge in both cities, although the distribution among policy sectors
has changed over the years.

In Turin, the foundations have invested huge capitals in the culture sector in the past decade,
while now their focus has shifted towards the social policies, in order to deal with the increasing
poverty and unemployment in an era of decreasing financial capacity of the municipality. As the
city mayor has publicly stated in 2014: ‘If the foundations had not supported the municipality in the
last years, we could not provide education services to forty-three thousand children’. Some civil
servants employed in the budget sector have tried to traced a picture of the fundamental financial
support that the foundations give to the local government’s empty coffers:

> The foundations have been indispensable, especially in some sectors. Today, for example, the
donations of the Compagnia di San Paolo to the local social policies reach 10% of the total
public expenditure of the municipality, considering both the funds that pass through the city
budget and those who go directly to finance the activities of the organizations involved in the
delivery of the public services. (I.8)

As the Memorandum of Understanding signed by the Municipality of Turin and the Compagnia
di San Paolo states, ‘the intervention of the foundations of banking origin helps potentiate the
cooperation between the public and the private sector and protect public policies in a particularly
acute phase of crisis’.

Also the Cariplo Foundation, although through a less direct involvement in public services, has
invested huge resources to support public policies in the last decades. Among the investment areas,
its main focus has been the culture sector, supporting most cultural activities in the city, from the
financing to theaters and museums to the support to various projects. As one interviewee said:

Civil servants and politicians who do not live in Milan say ‘lucky you, who have such a big
foundation investing in your city!’ For example, talking about culture, the foundation is
everywhere. The support of the foundation to this sector is so widespread that nobody can
disregard it. Almost every cultural activity and project has the Cariplo logo, next to the one of
the municipality or not. (I.6)

The role of the foundations against austerity is considered so fundamental that many people
define them ‘countercyclical’ organizations, thanks to the particular combination of attributes that
the national laws have defined over the years: considerable assets - at least for the biggest
foundations - that guarantee a relative stability to the organizations, diversification of the
investments in low-risk funds and bonds, high flexibility in terms of budget allocation and partial
autonomy from politics. At the same time, since their countercyclical role is directly linked to this
delicate equilibrium between functional and structural dimensions, this role is also considered
highly uncertain. As a foundation executive stated, ‘we are such a strange mix that we are an easy
target, both for the private and the public actors, and both of them want our money’ (I.23).

Money trails
The support to public policies and public services from a private actor or organization can be
performed in two ways: through money transfers towards the government or through direct support
to private organizations that are invested by the government with the task of delivering specific
services.

In the integrated governance context of Turin, local foundations have provided a considerable
direct support to the Municipality over more than one decade. Most of the flows have been granted
on condition that the municipality would have used the money for specific projects, activities or
services established together by the local government and the foundations, but the donations have
transited for a large part through the local government coffers.

On the contrary, the support of the Cariplo foundation to the local policies has been mainly
performed through ad hoc donations to single organizations that delivered public services or
produced public goods, without any transit into the municipal coffers. A foundation manager
claimed the superiority of this granting system over the other, by saing that ‘putting money directly
in the City coffers would be unacceptable, otherwise why should foundations exist?’ (I.4). An
example that concerns the culture sector highlights the logic of the Cariplo targeted funding. The
new national fund for cultural and entertainment activities has changed the rules of money
distribution and the Municipality of Milan will have to adapt to these new rules. ‘Because of the
new approach adopted in the national programme, the Municipality will probably act more
selectively towards their theater and music foundations, concentrating the funds on the biggest ones.
The foundation will consider the option of instead concentrating financial support to smaller
organizations’ (I.5).

These different systems of financial support have some main implications.
Thanks to the flows of money into the local government coffers, the Turin municipal offices continue to manage the implementation of several policies and services that are co-financed by the foundations. On the one hand, this allows the local government to maintain the control on important aspects of the policy cycle (the selection of the target population, the procedures and rules of the policy and service implementation, the monitoring activities) and allows foundations to free their staff from the responsibility for standardized tasks and to perform more flexible and project-focused operating models. On the other hand, the municipal bureaucracy is burdened with a considerable amount of work, redirecting a part of the administrative staff from the management of the consolidated activities to the management of the new policy tools financed by the foundations. At the same time, there is a cost for the foundations too, in terms of lack of information about distribution of the funds and implementation processes.

In Milan, the direct financial support to operating organizations has somehow opposite implications. On the one hand, the foundation can exert direct controls on the implementation phase. At the same time, the local government benefits from the foundation’s indirect support to public and semi-public organizations, because this model contributes to stretch the accountability chain, preserving several policy sectors without direct political responsibilities. On the other hand, the system of parallel intervention can gradually lead the local government to reduce its efforts in the sectors where the financial support of the foundation is strong and consolidated.

**Patterns of change in the local public policies**

A diffused theory states that foundations are particularly useful for their role of policy change entrepreneurs. Did foundations of banking origin really foster the diffusion of new policy tools in the two public administrations? The answer is generally positive, but with significant differences.

The integrated governance of Turin has led to several co-design processes of complex policy tools for large numbers of beneficiaries, although the involvement of the smallest Cassa di Risparmio di Torino Foundation has been lower. Several examples have been cited concerning the culture sector, social policies, economic development and labor.

One interesting case in the labor sector can exemplify in which sense the strict collaboration between the municipal staff and the Compagnia di San Paolo foundation staff has fostered a diffused co-design of complex policy measures. A new joint programme of income support was co-designed, co-financed and co-implemented by one of the two foundations and the local government at the end of the 2000s. It was designed in the form of vouchers distribution to low income workers who were constrained to temporarily suspend their work and were benefiting from the Italian social safety measure called *cassa integrazione*. These workers were receiving a percentage of their salaries by the national government, but their revenues were often not sufficient to cover the ordinary expenses. This programme was started to offer these citizens the opportunity to integrate their income by performing ‘accessory works’ in non profit organizations and associations based in the city. The policy had thus a two-fold aim: satisfying the workers’ need for an integration of their low income and supporting non profit local organizations’ operating activities. A civil servant explained clearly in which sense the intense co-design activity of the municipality and the foundation has led to construct a new policy:

The innovative aspect of this programme is the particular combination between private and public tasks. The vouchers are payed by the foundation, which proposed to focus the programme on non profit organizations and to leave them the task to look directly for the workers potentially suitable for the accessory work, in order to valorize the relational networks of the non profit sector. The public personnel intervene in the selection phase. The organizations and associations have to apply with a proposal and our staff select the most convincing proposals, also checking whether the workers recruited by the organizations respect the established income criteria. We then also support the targeted organizations with counseling on the hiring and safety rules and procedures. Finally, we follow periodically the implementation phase, checking the activity of each worker who has benefited from the voucher, while the
foundation keeps the contacts with the non profit organizations. The idea of this integrated combination between public and private tasks came out from the intense joint work between us and the foundation, we had never implemented such a complex mix.

In Milan, the two institutions work along two parallel tracks and only a few co-design and co-implementation processes have taken place over the last decades. The open calls system of the foundation is open also to public organizations and the municipality sometimes applies for the calls through their offices or the instrumental public organizations. This mostly separated policy-making has led to less diffused policy changes, that have taken place mainly in the form of policy transfer. The words pronounced by a foundation manager are emblematic:

By moving patchy with different policy tools, we hope to attract the attention of public policy-makers and sometimes this happens, although rarely, when the public administration sees clearly that the project is working well and does not cost too much in terms of new investments or current expenditure. (I.5)

A recent case of policy transfer has concerned the municipal libraries sector. The foundation launched a call for the whole regional territory in 2010, whose goal was to co-finance new social cohesion activities promoted by public libraries in partnership with non profit organizations. Many libraries applied for the call and some of them obtained access to the funding scheme. After some years, the Municipality decided to launch the same programme for other municipal libraries.

Each of the two patterns have peculiar characteristics. The former pattern of more diffused and pervasive policy change has taken place mostly through slow trial-and-error processes, in which civil servants and foundation staff designed tools that were revised frequently during the implementation phase. As a public manager of the City of Turin said, ‘we have initiated several joint projects years ago and every following year we have intervened, together with the foundation, to change the projects a little in order to improve them’ (I.14). The latter system, which is on the contrary based mainly on policy transfer, tends to generate replications of the foundation projects that the Municipality assesses as most suitable and effective. According to a foundation manager, ‘the example of the libraries project is emblematic: the Municipality offices observed the implementation of the project for some years, they understood that the project was producing good results and they launched the programme directly’ (I.5).

**Conclusion and discussion**

Economic crisis and austerity measures affect national governments significantly, but even more local governments. This critical situation has made local governance harder and more vulnerable, not only in terms of its capacity to steer local development, but even just to maintain acceptable standards in local policies and services. Most city leaders are trying to respond not only by cutting public expenditures or raising local taxes, but looking for other non fiscal revenues. The increasing role of philanthropic foundations in some urban contexts stems also from this tendency of city leaders to search for alternative funding sources to support public policies and service delivery.

While non profit organizations have been mainly analyzed from sociology and management perspectives, a part of the literature has began to address the issue from a policy analysis perspective, in order to assess how these organizations support governments and which kinds of policy impact they produce. Some recent case studies and comparative researches have focused on big foundations that operate at the national and international level. This paper has addressed the issue by focusing on the local level and analysing the policy impact of a particular kind of community foundations, that invest money in and for a specific local community: the Italian foundations of banking origin, created in the 1990s.

The paper has presented the findings of a comparison between two urban contexts (Milan and Turin), that have been governed through different modes of governance and host the richest Italian foundations of banking origin (and among the richest non profit organizations in the world). The
paper has been structured to address a main research question: have the foundations’ policy impacts been different in relation to the diverse governance modes that have characterized the two urban contexts in the last decades?

Summing up, the answer is only partially ‘yes’. In both urban contexts, the foundations have strongly supported local governments against the austerity measures, regardless of the differences between the two modes of governance. Since the beginning of their activities, foundations have given a broad support to local governements, both through direct financing to public and private organizations responsible for the delivery of public services and the production of public goods and through their own activities, calls and projects. Their particular nature, that merges private management, public regulation, philanthropic mission and community representation, makes them even local countercyclical organizations, although vulnerable both to political and private pressures.

In terms of promotion of change in the local governments’ policies, the foundations impact actually differs in relation to the consolidated mode of governance. Figure 2 summarizes the main differences of the two patterns of influence and their implications on public administration structures and foundations activities.

Figure 2. Foundations’ impact on local governments policy-making

<table>
<thead>
<tr>
<th>Turin</th>
<th>Milan</th>
</tr>
</thead>
<tbody>
<tr>
<td>transfers through the municipal coffers</td>
<td>grants to organizations that deliver public services</td>
</tr>
<tr>
<td>- public control on resource allocation, selection of the beneficiaries, monitoring activities</td>
<td>- low public control on foundation choices of grants allocations</td>
</tr>
<tr>
<td>- costs in terms of personnel work</td>
<td>- stretching of the accountability chain and slight reduction of public intervention in areas in which the foundation invests huge resources</td>
</tr>
<tr>
<td>- low bureaucratization of the foundations</td>
<td>- higher bureaucratization of the foundation</td>
</tr>
<tr>
<td>- lack of information for the foundations</td>
<td></td>
</tr>
<tr>
<td>co-design of complex policies</td>
<td>Policy transfer of less complex policy tools</td>
</tr>
<tr>
<td>- Trial-and-error processes along the implementation of the policy</td>
<td>- replication of foundation’s best practices by the local government</td>
</tr>
<tr>
<td>- diffused incremental processes of small policy change</td>
<td>- occasional processes of big policy changes</td>
</tr>
<tr>
<td>- no public assessment of co-designed policy tools</td>
<td>- public assessment of transferable policy tools</td>
</tr>
</tbody>
</table>

In the integrated mode of governance of Turin, the interactions between local government and foundations have been characterized mainly by intense co-design of complex policy tools for wide samples of population, a substantial public control on the implementation phase and diffused policy changes, that take place through slow trial-and-error processes. The different scenario in Milan has been instead characterized by sporadic policy transfer processes of more restricted but easily
assessable policy tools and in general by a slight retraction of the public intervention from the policy sectors in which the foundation has been used to support public service delivery organizations.

From a more general perspective on the relations between philanthropy and local governance, this exploratory research has highlighted two matters, that could be furtherly addressed through other comparative analyses. First, community foundations, if they manage to raise sizable funds, can provide strong financial support to local governments and help them surviving in the austerity periods. Second, their influence, impact and role in local public policies cannot be outlined without taking into consideration the type of local governance in which they operate, which is made of patterns of public-private interactions established and partially consolidated over the years.
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