Philanthropic Foundations and Local Policy Making in the Austerity Era: Does Urban Governance Matter?

STEFANIA RAVAZZI

ABSTRACT Over the last decades, European cities have been facing serious constraints. In particular, decreasing transfers from central governments, the introduction of domestic ‘Stability pacts’ and the economic crisis have significantly challenged the capacity of local governments to address societal issues. Within this context, local governments have tried to find new ways by establishing collaborations with a wide range of private actors, including non-profit organizations and the civil society as a whole. Among these private actors, big philanthropic organizations are gaining prominence, acting as public policy supporters and policy makers. In particular, those philanthropic organizations, which focus the operating activity on single communities, are emerging as potential key actors in local governance, thanks to their capacity to concentrate resources and efforts in specific and limited territories. For this new emerging role, a recent debate on their impact on local policy making has raised in the last years. This paper aims at presenting the findings of a comparative analysis on the impact that some of the world’s biggest philanthropic organizations have produced in two Italian urban contexts. In particular, the comparative analysis of these two cases had the aim of testing a major thesis: the impact of philanthropic foundations on local policy making varies in relation to the consolidated mode of governance within which they operate.

KEYWORDS: • local governance • philanthropy • urban regime • public policy

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Introduction

Over the last decades, globalization has increased the difficulties for local governments to address public problems. Moreover, the recent austerity era has challenged further local governments’ ability to steer their communities (Pollitt 2010; Lowndess and Pratchett 2012; Blom et al. 2014). This can be seen not only in the struggle when building new strategies for local development, but also when maintaining public services. As a reaction to this situation, local authorities and city leaders have tried to find new ways by establishing collaborations with a wide range of private actors, including non-profit organizations and the civil society as a whole (Richardson 2011; Meegan et al. 2013). As a consequence, formal and informal public-private partnerships are now a common way not only to promote long-term urban developmental agendas, but also to deliver public goods and services (Reynaers and DeGraaf 2014).

In this scenario, together with business actors, big non-profit organizations are gaining prominence too, acting as public policy supporters and service providers, even in countries where the public sector has been dominant for decades (Knott and McCarthy 2007; Thuemler 2011; Pill 2013; Wang et al. 2011). In particular, those philanthropic organizations, which focus the operating activity on single communities, are emerging as potential key actors in local governance, thanks to their capacity to concentrate resources and efforts in specific and limited territories (Anheier 2001; Knott and McCarthy 2007; Davies and Pill 2012).

Philanthropic organizations have been usually analysed from a managerial or sociological perspective. However, because of their increasing contribution in several policy sectors, they also deserve to be observed from the perspectives of local governance and policy making (Thuemler 2011; Pill 2013). From these two viewpoints, the debate has just started, addressing matters like the role of philanthropic foundations in urban governance and their impact on local policy making. The present paper aims at contributing to this debate by presenting the findings of a comparative analysis of some of the world’s biggest philanthropic foundations, which operate in two big Italian cities: Milan and Turin (Anheier 2001; Salamon 2014). The comparative analysis of these two cases had the aim of testing a major (neo-institutionalist) thesis: the impact of philanthropic foundations on local policy making varies in relation to the consolidated mode of governance within which they operate. Some of the literature on urban governance has in fact argued that the mode of governance not only affects policy outcomes, but also shapes the actions of the actors and, more in general, the agency dimension (DiGaetano and Strom 2003).

The empirical enquiry has been conducted working on different sources: official statistics, budgets, mission reports and in-depth semi-structured interviews with
various policy actors (local governors, civil servants, staff of foundations) in the two cities.\footnote{1}

The paper begins by outlining the theoretical framework. The Italian local governance system is then briefly presented and an overview of the FOB phenomenon is described in the second section. The third section illustrates the two urban contexts and their different governance modes, while sections four and five present the findings of the empirical research. The conclusion summarizes the main arguments of the analysis.

**Urban Governance, Philanthropic Foundations 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 one another in order to attract capitals, companies, workers and consumers (Le Galès 2002; Savitch and Kantor 2002; Hambleton and Gross 2007; Rossi and Vanolo 2012; Sassen 2012). At the same time, the evolution of the demographic composition, as a consequence of domestic dynamics and migration flows, has favoured the diffusion of new lifestyles and the diversification of citizens’ needs (Glaeser and Gottlieb 2006; Turok and Mykhnenko 2007; Kantor and Turok 2012). Furthermore, many democratic countries, while progressively devolving policy responsibilities to local governments (Brenner 2004, Denters and Rose 2005; Lowndess and Pratchett 2012), have introduced austerity rules, which 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 ability of local governments to solve problems is increasingly challenged and the economic recession has worsened the situation.

Local governments can react to this condition in three ways: by selecting policy priorities more strictly, by changing the structure of local taxation in order to collect more public resources to finance policies or by activating new non-tax revenues (Blom *et al.* 2014). Because the first two options are generally seen as counterproductive in terms of political consensus, several local governments focus on the latter. Among the various strategies, the collaboration with philanthropic foundations is spreading, especially when these organizations have considerable resources at their disposal (Macdonald and Szanto 2007; Harrow and Jung 2011; Pill 2013). According to Pill (2013), philanthropic foundations are gaining prominence at local level also because of the declining presence of corporate actors in urban governance, especially in post-industrial cities where changes in the local economy has left power vacuum in the ruling class.

Although the universe of philanthropy is heterogeneous, including family, corporate and independent foundations (Suarez and Lee 2011), all philanthropic foundations mainly act in two ways: through the transfer of financial resources to
public or private organizations for their activities, and through the realization of their own projects (Anheier 2001; Knott and McCarthy 2007). Mixing these two activities, foundations end up acting as co-producers of public goods, especially the ones operating at local level (Knott and McCarthy 2007; Suarez and Lee 2011; Thuemler 2011; Salamon 2014). This has led some scholars to define them as complementary actors of the State (Pill 2013).

If the role of these organizations is becoming so prominent, what impact does their intervention produce in local policy making? The literature on the topic offers different views.

According to some scholars, foundations have a weak impact on public policies, because they do not usually act as policy entrepreneurs (Knott and McCarthy 2007; Thuemler 2011). Within this perspective, for some, foundations are characterized by a conservative approach, mainly concerned in maintaining the social order, thus providing only ‘palliative grants’ (Colwell 1993; Roelofs 2003). For others, foundations mainly act through symbolic or instrumental projects, to improve their public image and their visibility in order to gain higher social legitimacy (Thuemler 2011).

Conversely, Clemens and Lee (2010) have argued that big philanthropic foundations can exert a strong bargaining power, because of their financial capacity and their autonomy. Consequently, they can affect the design of public policies and the redistribution of public expenditures. Similarly, for Gerber (2006) and Suarez and Lee (2011), foundations can promote innovation by carrying out risky projects, which governments tend to avoid (as a consequence, some foundations have also been called ‘policy venture capitalists’). Other researchers have pointed out that, in some cases, foundations’ activity has led to visible changes also in the consolidated policy paradigms, favouring in particular the adoption of neo-liberal approaches, based on less public regulation (Schoeller 2006; Saltman 2010; Kovacs 2011). In an interesting case study on Baltimora, Pill (2013, 10-11) argued how the operating activity of two big philanthropic foundations led the local government to adopt their ‘asset-based rationale’ and ‘asset-based discourse’ into the city housing policy.

In light of the described literature, it can be said that the debate on the impact of philanthropic foundations on local policy making is still open. The following analysis aims at adding a further contribution on the topic.

The Italian Fobs (Fondazioni di Origine Bancaria)

Although Italian municipal governments may count on a lower share of revenue and expenditure than those of Northern European countries, by the end of the decade their financial and fiscal autonomy has increased (Bobbio 2005; ISTAT
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 model to something similar to the strong mayor model. However, over the last years, decreasing money transfer from the State and the Regions, the introduction of the domestic ‘Stability Pact’ and the global economic crisis have reduced the financial resources of the municipal governments, inducing city leaders and public administrators to search for other non-tax revenues.

During the ongoing process of decentralization, the Italian government implemented another reform: in 1990, many foundations were created after a process of ‘philanthropication thru privatization’ of the national banks (Salamon 2014, 21). Many Italian banks (the so-called casse di risparmio) had a long history of blending philanthropy and finance, which dated back to the Renaissance. These banks continued to operate with this approach also after their nationalization in the 1930s. When the national government implemented the 1990 Reform, the two roles were separated, maintaining the financial function for the privatized banks and leaving the philanthropic function to the new ‘Fondazioni di Origine Bancaria’ (FOBs). At the beginning, their legal nature, the corporate governance, the fields of action, and above all their link with the banks were not regulated by the national government and the foundations maintained the control (in some cases also the total control) of the banks and began to operate autonomously.

In 1998, the national government completed the reform and established the features of these organizations. Firstly, the FOBs were defined as private organizations with financial autonomy, though limited by some rules (no risky financial instruments, diversification of the assets, no debts, public transparency of the investments). Secondly, the government established that their boards of directors had to be the expression of the main local stakeholders (public and private, profit and non-profit) and that the organizations had the legal obligation to reinvest their capital returns in specific sectors in their local communities. Therefore, within the foundations’ universe, the FOBs present typical traits, but also somewhat peculiar characteristics. They can be defined as independent foundations, because they are not owned by families or corporations and their operating activity melds direct intervention (the so called ‘operating model’) with financial transfers to other organizations (the so called ‘granting model’). However, they have also been considered a peculiar type of community foundations (Salamon 2014), because they reinvest their profits mostly in the urban territories in which they are located and operate in specific policy fields, which are established by the national Law. Similar foundations are probably the
fundaciones bancarias, which have been recently ruled by the Spanish government (Martínez Muñoz and Chapa Sánchez del Corral 2014).

The 448/01 law and the 163/06 legislative decree have recently enlarged the list of 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 FOBs have to concentrate at least 50% of their donations in no more than five policy sectors, in order to avoid an excessive fragmentation of the donations.

According to the 2013 Report of the National Association of Foundations and Savings banks (Associazione delle fondazioni e delle Casse di Risparmio SpA, ACRI), Italy counts 88 FOBs. The landscape is heterogeneous, but some common traits are evident. The net assets range from two million euros to over five billion euros and the total donations range from 500.000 euros of the small FOBs to more than one hundred million euros of the biggest FOBs. However, FOBs have the same corporate governance (mixed boards of directors), operate mainly through the granting model and their donations are concentrated in six policy sectors: art and culture, research, social services, education, public health, and local development.

The role of FOBs in urban policy making has been recently questioned in the newspapers and in the political arenas, mostly recalling the main arguments of the scientific debate. Some people state that FOBs promote just very small projects for voluntary organizations; others state that they support the public sector investing considerable resources. Some consider their activity as non influential on public policy making, while others underline their capacity to considerably affect local policies.

Two Cases

This section is dedicated to the description of the two main variables, which have been considered in the two cases: FOBs and modes of governance.

While the three FOBs located in Milan and Turin have been similar in terms of corporate governance and operating activity, the two urban contexts have been - and still are - governed for a long time through a different mode of governance.

Together with Genoa, Milan and Turin are two of the three cities of the old Italian industrial triangle. Although their local economies were somewhat different, the
two cities experienced a steady growth during the economic boom and have shared the same urban problems, with decreasing transfers from the national government, during the post-fordist era: poverty, social and territorial inequalities, immigrants’ integration, increasing unemployment rates, dramatic situation of the air quality, traffic and transport management problems, lack of coordination of the metropolitan area (Tortorella 2010; Amato et al. 2011). Many ambitious projects have also been promoted and implemented in both cities over the last decades, like the construction of new buildings, the renovation of city centres, major transport infrastructures, culture initiatives, and in general pro-growth policies, in order to steer the local development (Dematteis 2011).

Furthermore, in both cities, business actors and non-profit actors have played a key role in promoting and supporting several policies. Among the non-profit actors, three of the Italy’s biggest philanthropic foundations contributed to promote and finance public interest projects in the urban territory: Cariplo Foundation, based in Milan, and Compagnia di San Paolo and CRT Foundation, based in Turin (tab. 1). The first two FOBs can even be considered ‘the most solid, rich and maybe generous per capita philanthropic investors in Europe, if not even in the world’ (Salamon 2014, 19). According to their annual reports, these three FOBs, and especially the first two, can be considered quite similar in terms of structure of the boards of directors, operating activity and distribution of resources. The members of the three boards of directors are almost equally composed by people nominated by (mostly local) public institutions and people co-opted by the incumbent members among civil society actors (mostly from the business sector). They have mainly operated through the granting model and their donations have been relatively large (more than 50% of the donations usually amount to 500,000 euros) and have primarily focused on arts and culture, research, and social assistance.

**Table 1:** Net asset and annual donations of the ‘big’ Italian FOBs (2013)

<table>
<thead>
<tr>
<th>FOB</th>
<th>net asset (million euros)</th>
<th>donations (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassa di risparmio delle Province</td>
<td>6.624</td>
<td>139</td>
</tr>
<tr>
<td>Lombarde - Cariplo (Milan)</td>
<td></td>
<td></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 – CRT</td>
<td>2.069</td>
<td>74</td>
</tr>
<tr>
<td>(Turin)</td>
<td></td>
<td></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>
</tbody>
</table>
Over the last two decades, these two urban contexts have been governed through different modes of governance. The urban governance mode is defined by DiGaetano and Strom (2003) as the way in which the local public institutions interact with private actors in order to address urban problems. From this perspective, the two cases are almost opposite, because the two cities have been governed through a different mode of urban governance for decades (Dente, Bobbio and Spada 2005; Belligni and Ravazzi 2012; 2013). Turin has been characterized by a highly integrated mode of interaction between the local public administration, business actors, non-profit organizations and universities, a governance mode that has been defined a typical case of urban regime. More specifically, the urban governance in Turin has been defined as integrated and pluralistic, mainly characterized by stable informal partnerships among a large number of actors (Belligni and Ravazzi 2012; 2013). Conversely, Milan has been characterized by a more fragmented mode of governance, in which the local public institutions, business actors and non-profit organizations have been contributing to urban policies by acting mostly separately and with short-term and mutable collaborations (Dente, Bobbio and Spada 2005; Galimberti 2013).

The analysis has confirmed that FOBs are no exception, because the patterns of interaction between the three FOBs and the local public actors (mainly governors and civil servants) have been consistent with these different modes of governance. In Turin, the public administration and the two FOBs have established medium and long-term partnerships to co-finance several public policies and services, including some strategic decisions. This model has been working for decades as ‘a gradual construction of consensus and mutual recognition’ (I.9). As a senior civil servant of the Municipality of Turin stated: ‘I have been working in this division for more than fifteen years and I do not remember any policy sector where foundations have not co-produced public policies with us’. This collaboration has also taken place via 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’, which establishes the co-financing of several local welfare policies, from childcare to social-assistance; the informal agreement to rationalise some inefficient public-private organizations; the working tables for social housing projects, income support policies and education policies.

In Milan, the Cariplo Foundation and the local public administration have usually acted through separate paths and the seldom partnerships have concerned mostly single flagship projects. As a source recalled: ‘when a new mayor and a new council start their term, the Foundation grants the financing for a large
infrastructural project. In the last fifteen years, Cariplo Foundation has financed the renovation of four important historic buildings’ (I.3). As far as ordinary policies are concerned, the Foundation has been operating mainly through open calls on specific topics, and direct collaborations with the local government have taken place only occasionally. For example, for the Expo 2015, ‘the joint venture between the municipality and the Foundation on the urban food policy was established only after years that both institutions had been working on their own, and only after some notable people asked for their collaboration for the upcoming event’ (I.5).

**An Escape From Austerity**

One way of measuring how FOBs contribute to local policies is to quantify their money contributions to local public institutions. Unfortunately, the budgets of the two cities do not specify explicitly which revenues come from the FOBs or how much these revenues account for the total municipal revenues. According to official statistics, every year the three FOBs usually spend between 20% and 30% of their donations in favour of public institutions. However, FOBs can support public institutions and public policies by giving money to private organizations, such as private-law organizations, which are totally or partially controlled by local governments, and/or private ones, which stipulate outsourcing contracts with public institutions. These organizations then deliver services on behalf of the public sector.

Although clear quantifications are not available, the information gathered thanks to interviews offers a clear picture of how much FOBs support public institutions. According to the civil servants, FOBs’ financial support to public policies has been huge in both cities. The following quotation is representative of a widely diffused opinion among civil servants and governors in both contexts: ‘Living in cities that host big foundations makes a great difference, the local government can benefit from a large financial support for delivering public services and producing public goods’ (I.6). Moreover, the same FOBs’ leaders defend their primary role when defining and acting for the public interest: There is no more hierarchy of welfare 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 which the State does not deliver, but organizations that act to solve public problems, whose definition is not anymore a prerogative of the public sector and whose resolution can be shared with us. (I.9)

In Turin, FOBs have invested mostly in the culture sector as well as in social policies, in order to deal with increasing poverty and unemployment. As the city mayor publicly stated in 2014: ‘If the foundations had not supported the municipality in the last years, we would not have been able to provide services
like nurseries and kindergardens to forty-three thousand children’. An administrator of the Municipality tried to give a rough estimate of the financial support FOBs had given to local public policies over almost two decades:

The foundations have been indispensable, especially in some sectors, like arts and culture. They have also been essential for the renovation of the city centre before the 2006 Winter Olympic Games. Today, FOBs’ donations for social policies exceed 10% of the total public expenditures of the municipality, considering both the funds that go through the city budget and those that go directly to finance the activities of the organizations involved in delivering public services, like for example the cooperatives which manage nurseries and kindergardens. (I18)

A recent official agreement, signed by the Municipality of Turin and one of the two FOBs, states that ‘the intervention of the foundations helps reinforce the cooperation between the public and the private sector and protects public policies in a particularly acute phase of crisis’.

Also in Milan, the Cariplo Foundation has invested huge resources to support public policies. Among the various policy areas, its main focus has been culture, supporting most activities in the city, from financing theaters and museums to the support of specific projects. As one interviewee said:

Civil servants and politicians who do not live in Milan say ‘lucky you, because you have such a big foundation investing in your city!’ As far as the cultural activities are concerned, the foundation is everywhere. Its support to this sector is so widespread that nobody can disregard it. Almost every cultural activity and project has the Cariplo logo on it. (I.6)

The role of FOBs is considered so important, especially in periods of austerity, that some people define them ‘countercyclical’ organizations. This because of their relative financial stability, which they have thanks to the diversification of the investments in low-risk funds and bonds, and their budget flexibility, which they have thanks to their private-law nature and their autonomy from politics.

Fobs and Public Policy: Urban Governance Matters

As mentioned in the first section, the debate on the impact of the philanthropic foundations on public policies has raised two main issues: 1) whether they foster policy change in public policy making and 2) whether these policy changes can be considered somewhat paradigmatic, in terms of diffusion of specific policy approaches or policy styles. This analysis suggests that the answer to the first question is positive, but with significant differences between the two urban governance models; while the question about paradigmatic changes cannot be answered univocally and it would need a deeper study on a wide sample of policies.
In Turin, FOBs have a ‘recognized role of facilitation of innovation processes within the public institutions’ (I.23) and the integrated mode of interaction between them and the public administration has led to co-design processes of new complex policy tools for large numbers of beneficiaries. Several examples could be cited with regard to various policy sectors: among them, a new system of public-private education services, several neighbourhood requalification projects, a new integrated system of public-non-profit services for children entertainment, a joint project for the implementation of the social card, a new public-private development agency that should integrate all the activities to boost local development, a joint project to support evicted families. Some of these policies have been co-produced through triple partnerships, involving the public administration and both FOBs.

One interesting case can exemplify how the strict collaboration between municipal staff and FOB staff has led to the construction of a complex policy for a big target population. A new joint programme for income support was co-designed, co-financed and co-implemented by one of the two FOBs and the local government at the end of the 2000s. It consisted of vouchers for low-income workers who were constrained to temporarily suspend their work and were benefitting from the Italian social security ‘Cassa Integrazione Guadagni’ (CIG). The National government pays a percentage of the salary to CIG workers, but the subsidy is often too little for minimum salary workers. The joint programme was designed to offer these workers the opportunity to integrate their income by doing ‘auxiliary work’ in non-profit organizations and associations in the city. A civil servant explained how the FOB was determinant in favouring the formulation of this new policy:

The innovative aspect of this programme is the particular combination between private and public. The foundation pays for the vouchers, while non-profit organizations have to look for the workers who may be suitable for the auxiliary work. This strategy was proposed by the foundation, in order to use the already existing networks of many non-profit organizations. The public personnel intervene in the selection phase. The organizations have to apply with proposals of auxiliary work and the civil servants select the most convincing ones, also checking whether the workers identified by the organizations meet the established income criteria. The municipality also gives support to the targeted organizations by providing suggestions about contracts and health-and-safety measures. Finally, civil servants monitor the implementation phase periodically, checking the activity of each worker who has benefitted from the voucher, while the foundation keeps in touch with the non-profit organizations. The idea of this integrated combination between public and private is the result of an intense collaboration between the public administration and the Foundation.

In Milan, the public administration and the Cariplo Foundation have been operating following two parallel tracks and only a few co-productions of policies
have taken place over the last decades. Every year, Cariplo Foundation publishes a certain number of calls, which is open to public and private organizations. The Municipality sometimes applies to them with and only rarely interacts with the FOB through direct channels. Also this way of working on parallel tracks has led to several policy changes, but they have been more sporadic and not risky innovations. As a Cariplo manager briefly said:

We formulate various policy tools and implement small-scale pilot projects, which we think could be useful and innovative, and we do this by ourselves. Through all these initiatives, we can attract the attention of public policy makers. (I.5)

A recent example of this pattern was the call for public libraries which was launched by Cariplo Foundation in 2010. The goal of this call was to co-finance new social coesion 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. Four years later, after the implementation of this policy had produced the first results, the Municipality started the same project for the municipal libraries that had not benefited from FOB’s call.

These different policy-change patterns have been the result of quite different processes. In Turin, the aforementioned co-design and co-implementation activities have taken place mostly through slow trial-and-error processes. Civil servants and FOBs staff designed tools using incremental processes and reframing them several times during the implementation phases. As a office administrator of the City of Turin said: ‘we initiated several joint projects years ago and thereafter we have intervened many times to improve them or simply to better adapt them to our different viewpoints’ (I.14). In Milan, the processes have taken place mainly through ‘policy punctuations’ and mostly by transfering effective FOB’s projects. According to a FOB manager, the aforementioned example of the library call is emblematic:

Only when the municipality thinks that a project is working well and does not cost too much in terms of new investments or current expenditure, we manage to have an impact on the public administration. (…) As far as the library project is concerned, the municipal administration observed the implementation of the project for some years and, when they thought that the project was producing good results, they launched the same programme.

Moreover, in the two cities FOBs’ donations have mostly followed different trails. In the integrated governance of Turin, FOBs have provided a considerable direct support to the local public administration, although with variable intensity over the years and between the two FOBs. Most donations have been granted on condition that the Municipality would have used the money for the specific projects, activities or services formulated with the FOBs. However, for a large part, the money went through the local government coffers. On the contrary, the donations of Cariplo Foundation have been only indirectly offered to the local public
administration, by financing activities of public and private organizations which delivered services on behalf of the Municipality. A FOB manager strongly claimed the importance of this indirect system by saying that ‘putting money directly into the municipal coffers would undermine our existence’ (I.4). An example can better explain the functioning of this targeted funding. The national government has recently changed the spending criteria of the ‘National Fund for Cultural and entertainment activities’ and the Municipality of Milan has to adapt to these new rules. By explaining a hypothetical new call of Cariplo Foundation in the culture sector, the statement of another FOB manager highlights how this indirect support approach works:

With the new national regulation, the municipality of Milan will probably act more selectively and it will concentrate most funds on the most important theatres and music institutions. As a consequence, we will consider the option of concentrating our financial contributions on small cultural institutions’ (I.5).

Figure 1 illustrates the main traits of these two models of FOBs’ impact on local policy making.

**Figure 1:** FOBs’ impact on local policy making

<table>
<thead>
<tr>
<th>Turin</th>
<th>Milan</th>
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<tr>
<td>co-design of complex policies for</td>
<td>separated formulation of policies</td>
</tr>
<tr>
<td>money transfers to the municipal coffers</td>
<td>grants to organizations which deliver public</td>
</tr>
<tr>
<td>co-implementation of policies</td>
<td>Municipal monitoring of projects or services financed by</td>
</tr>
<tr>
<td>diffused policy changes through trial-and-error processes</td>
<td>sporadic policy punctuations through transfers of ‘best practices’</td>
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These different patterns have had some main consequences. In Turin, the local public administration, which has been frequently negotiating with FOBs, has been less autonomous in its policy choices. At the same time, though, it has also benefited from the direct money transfers into the municipal coffers, substantially maintaining the control on important aspects of complex and large implementation processes; for example, the selection of the target population, the procedures and rules of the policy and service implementation, the monitoring activities. In Milan, the local public administration has been less directly influenced by Cariplo Foundation, but FOB’s financial support to service-delivery organizations has allowed it to directly intervene in the choices of the financed organizations and
has led the local government to slightly reduce its intervention in sectors where FOB’s financial support had been strong and consolidated.

**Conclusion**

Economic crisis and austerity measures have affected national governments significantly, but even more local governments, which are becoming more vulnerable and less able to address societal issues. Today, in fact, these are struggling not only to steer local development, but also to maintain consolidated policies and services. Within this critical scenario, public-private partnerships are increasing and, among them, the collaboration with philanthropic foundations is gaining prominence.

The collaboration with philanthropic foundations has not yet been analyzed from a public policy perspective, since these public-private partnerships are somewhat new in many countries, but the matter is relevant, especially when big foundations concentrate their money and resources in specific local communities (Salamon 2014). This is the case of young Italian FOBs, some of which are among the biggest philanthropic organizations in the world and concentrate most of their profits in several medium and large cities.

In this paper, two urban contexts that host big FOBs were compared with the aim of contributing to the debate on the impact that these foundations have on local policy making: Milan and Turin. The former has mostly been characterized by a fragmented and separated mode of governance, in which the local FOB and the public administration have interacted only through rare short-term collaborations, while the latter has been governed by an urban regime, in which the two FOBs have established long-term and stable partnerships with the local public administration.

The analysis has shown that the three FOBs have strongly supported both local public institutions over the last two decades, offering extraordinary resources through direct financing and through public interest activities and projects. Their particular nature, which depends on a mix of public regulation, private management, philanthropic mission and community representation, has made them somewhat countercyclical in an era of economic crisis and austerity measures imposed to local governments at national level.

Moreover, in both cities, FOBs’ intervention has produced changes in public policies of both local governments, but their impact has varied in relation to the consolidated mode of governance within which they have operated.

When looking at Turin and its integrated governance, the repeated and stable collaborations of the public administration with the two FOBs has led to the co-
production (joint formulation and implementation) of complex policies for large numbers of beneficiaries, through considerable direct money transfers from FOBs to the municipal coffers. This system has generated diffused and mostly incremental policy changes in the public administration, mainly through trial-and-error processes during the implementation phases. This pattern has in some way weakened the decisional autonomy of the public administration in the formulation phase, but it has also allowed it to maintain the control on important implementation processes.

On the contrary, in the fragmented governance of Milan, the parallel tracks followed by the two institutions have been evident both when considering the almost absent co-production processes of public policies and the mostly indirect money trails from the FOB to the local public administration. This system has led to sporadic policy punctuations in public policies, which have been happening mainly through the replication of those FOB’s pilot projects, which had been monitored and evaluated as best practices by the Municipality. Within this separated mode of governance, the local public administration has preserved its autonomy in the design, formulation and implementation of the policies, but, at the same time, it has also de facto led the public expenditures to slightly shrink in sectors where FOB’s financial support was strong and consolidated.

Notes:
1 Some quotations will only be marked with numbers, as requested by the interviewees, who wish to remain anonymous.
2 According to the National Association of Foundations and Saving banks (2013 Report), today FOBs hold an average of 38% of bank shares, although both the shares and the net assets of the banks vary significantly.
3 According to a recent review on urban governance, the collaborations between public and private actors that characterize urban regimes tend to be more pervasive, stable and in some cases also institutionalized than those of other urban governance modes (Pierre 2014).
4 The matter of why these two cities have experienced different modes of governance is not the object of this paper and the causes could be numerous. Among those, the political colour of the governmental majority does not seem to have had a particular influence. While Turin has been governed by a leftist government for two decades, Milan has had rightist governments until 2011, when a new left-wing coalition won the elections. However, according to the interviews, the mode of governance has not been shifted toward a more integrated model after this political change.
References:


