

# PHILANTHROPY IN TURKEY:

## CITIZENS, FOUNDATIONS AND THE PURSUIT OF SOCIAL JUSTICE

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# 2

## *Foundations in the Republican Era: A Historic Overview and Financial Analysis of Tax-Exempt/Public Benefit Foundations in Turkey*

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# Foundations in the Republican Era: A Historic Overview and Financial Analysis of Tax-Exempt/Public Benefit Foundations in Turkey

## INTRODUCTION

This study, titled “Foundations in the Republican Era: A Historic Overview and Financial Analysis of Tax-Exempt/Public Benefit Foundations in Turkey”, examines the development of foundations during the eighty years of the Republican era. The study is comprised of two main sections, with the first section addressing foundations inherited from the Ottoman era and those founded in the Republican era. The second section provides a fiscal and economic analysis of tax-exempt foundations as well as exploring their growth trends, while the conclusion section offers results and suggestions for the future.

While carrying out this research, the following questions formed the basis of and guided the examination:

- Do foundations own sufficient assets to achieve their aims?
- Are foundations private? Are they or are they not a part of the public system?
- Do they rely on the principle of voluntary service?
- Do they share public burdens?
- Do they have a transparent and accountable fiscal reporting system?
- What is the situation of their operation capital?
- To what degree are they affected by inflation?
- What is the situation of public foundations vis-a-vis private foundations?
- What is the share of donation and aid in foundation revenues?
- What is the ratio of donation and aid to tax income and GDP?
- What are the relations of foundations with other institutional sectors?

By presenting an overview of the contemporary historical and financial situation of foundations in Turkey, which offers a real and immediate profile of the sector as it currently operates, this report aims to complement the other analyses carried out in this volume.

## I. THE HISTORICAL DEVELOPMENT OF FOUNDATIONS

### A. The Concept of Foundation

Coming to a common definition of “foundation” was a critical first step in the research effort. Thus, the study will begin by presenting a definition of the concept of “foundation” and its component elements.

Foundation and associations constitute the main organizational forms among the universe of non-profit organizations, with foundations forming the backbone of the non-profit sector. What is a foundation, and, what is it not? Since many different definitions for this term are used by varying audiences, it is necessary to reach a consensus on this concept in order to have a common understanding from which to move forward.

A foundation is an institution of property with the following characteristics:

1. Property
2. Meaningful and continuous institutional structure,
3. Private, and not part of the public system,
4. Self-managing, with the authority to make and implement decisions freely,
5. Not profit distributing,

6. Reliant on the principle of voluntary service,
7. Supportive of public goals,
8. Not dependent on the principle of membership (as is the case with associations).

Foundations can then be defined as follows, keeping in mind the eight basic criteria listed above:

**Foundations are non-profit organizations that are founded voluntarily to serve public purposes, that have a definite institutional structure, that are not part of public administration, that can manage itself, that do not depend on membership and that own a definite amount of property.**

In this study, the concept of foundation will be treated within the framework of the definition above. It will be investigated later to what extent Turkish foundations reflect this definition and fulfill the criteria listed above.

## **B. Foundation Problems Inherited From the Ottoman Era**

Foundations during the Republican era were presented and continue to grapple with significant problems resulting from:

- Ottoman era practices that continued to effect the sector, and
- Debates and discussions over what foundation model should prevail in the new era.

As Prof. Dr. Murat Çizakça's chapter demonstrates, the institution of the foundation, deriving from Turkish and Muslim values with respect to charity and solidarity, had developed significantly over the centuries to serve important purposes and functions in social, economic, cultural and religious areas. Throughout the Ottoman era, foundations served not only religious purposes but carried out many public services such as education, health, social services, roads, bridges, baths and caravanserais.

Due to its long history and tradition, the foundation institution could carry out these services unhindered as long as it was managed well and had sufficient revenue resources. However, in the period of decline of the Ottoman Empire, particularly in the latter half of the nineteenth century, the institution became unable to carry out its mission. The Republican governments thus inherited a widely scattered, extensive (the exact number is unknown) foundation sector with the following challenges:

- Revenues exceeding expenses,
- Lack of state support,
- Managerial problems and
- Widely different and contradictory legal frameworks under which the foundations were initially established and operated.

**Nonetheless, these foundations had a very rich cultural and historical heritage, owned substantial property consisting of mosques, churches, synagogues, student houses, tombs, soup kitchens and libraries. As such, these old foundations served very important social, economic and cultural functions during Ottoman times.** Table 1 demonstrates to what extent the properties of the foundations inherited from the Ottoman era make up the significant cultural heritage of Turkey today.

**Atatürk gave great importance to the issue of foundations.** Mustafa Kemal Atatürk, founder of the Republic of Turkey, was concerned with foundations and cultural heritage particularly with respect to resolving certain problems related to their protection and development. As Atatürk stated during the opening the third legislative year of the Turkish Grand Assembly on March 1, 1922:

*“Foundations are important assets of our country. For our nation and country to*

**TABLE 1. DISTRIBUTION OF OLD FOUNDATION PROPERTY**

Type of property	Number
Mosques	49
Churches and synagogues	70
Student houses	62
Commercial buildings	135
Hotels and inns	999
Tombs	1,234
Fountains	281
Bazaars	42
Kiosks	14
Bridges	43
Business centers	9
Schools	174
Soup kitchens	35
Observatory	10
Drinkable water fountains	37
Prayer houses	9
Library	14
Thermal baths	7
Other	1300
<b>Total</b>	<b>4,524</b>

justly benefit from this wealth, I request our Council of Ministers as a whole, and even the Grand National Assembly, along with the Ministry of Sharia, to examine this issue with due importance, to save it from ruin and to make it beneficial to our country.

Gentlemen,

When the founding purposes of foundations are considered, it can be seen that they target service and social help along with religious purposes. The fact that foundations extend to charity houses, mental institutions, other kinds of hospitals and guesthouses, libraries, inns, baths, fountains, schools, medrasas and other institutions of culture reveals the principles that need to be observed in regulating the problems of foundations.”<sup>1</sup>

Mustafa Kemal Atatürk asked that the Assembly and the Republican Government take up the issue again a year later in his speech on March 1, 1923, opening the fourth legislative year of the Grand National Assembly where he again expressed the importance of the issue:

“We have presented it last year, and we repeat it again this year. The foundation issue is important. It should be examined in a manner that would suit the real interests of our nation in accordance with modern practices. This is necessary.”<sup>2</sup>

**The foundation strategy of the Republican era was determined in accordance with Mustafa Kemal Atatürk’s vision. This strategy entailed the ordering of the new era’s foundation model under the heading of “Establishment” in the Turkish Civil Code, and the preparation and implementation of a distinct foundation implementation law for the foundations inherited from the Ottoman era.**

The following activities were carried out in accordance with the new foundation strategy:

- A mission to Switzerland to study foundation laws and practices
- The invitation to Turkey of a renowned law expert of the time, Prof. Dr. Leeman
- The registration of the foundations inherited from the Ottoman era
- The formation of a committee comprising certain experts and the preparation of a draft foundations law

While these were being carried out, measures to resolve the problems of foundations were taken especially within the framework of budget laws.

### **C. Foundations and the First Ten Years of the Republic<sup>3</sup>**

The following were key changes in foundation legislation undertaken in the first ten years:

<sup>1</sup> Journal of Minutes of the National Assembly T.1, V.18 p. 2

<sup>2</sup> Journal of Minutes of the National Assembly, T.1, V. 28 p. 2.

<sup>3</sup> General Directorate of Foundations, Report on the Works of the General Directorate of Foundations in the First Ten Years of the Republic, Prime Ministry Printing House, Ankara-1933.

**TABLE 2. FINANCIAL SUPPORT PROVIDED BY GENERAL DIRECTORATE OF FOUNDATIONS IN THE FIRST 10 YEARS OF THE REPUBLIC (IN LIRAS)**

	Total Lira	1924	1925	1926	1927	1928	1929	1930	1931	1932
University	495.000	0	0	50.000	100.000	100.000	100.000	100.000	25.000	20.000
Orphan lycee	255.000 <sup>[1]</sup>		0	65.000	65.000	25.000	25.000	25.000	25.000	25.000
Red Crescent	16.000	10.000	5.000	0	1.000	0	0	0	0	0
Orphanage	7.700	0	0	5.000	2.700	0	0	0	0	0
Samsun Orphanage	3.500	0	0	0	1.500	2.000	0	0	0	0
Abolished Turkish associations	111.500	0	0	0	17.000	34.500	30.000	30.000	0	0
G. Directorate of Borders and Coasts Health	675.000	0	0	0	0	150.000	150.000	150.000	150.000	75.000
Municipalities	160.800	0	49.000	5.500	5.800	5.000	70.500	25.000	0	0
Special administrations	36.900	0	0	7.500	1.400	3.000	0	25.000	0	0
Teachers' Union	9.000	0	0	0	4.000	5.000	0	0	0	0
Assoc. of Protection of Trees	500	0	0	0	0	0	0	500	0	0
Dormitories and Education Association	6.000	0	0	0	0	0	0	1.000	0	5.000
Ankara Sports Club	3.300	0	0	0	2.800	500	0	0	0	0
Ankara Law Faculty	3.800	0	0	0	2.500	0	500	0	500	300
Assoc. of Reconstruction of Martyrdoms	5.000	0	0	0	0	0	0	0	0	5.000
Construction and recreation of Charitable acts	124.386	0	0	0	29.483	25.698	34.479	15.098	9.827	9.751
Allocations to Municipalities from graveyard sales	54.550	0	0	0	0	0	0	0	0	54.550
<b>Total</b>	<b>1.967.886</b>	<b>10.000</b>	<b>54.000</b>	<b>133.000</b>	<b>233.183</b>	<b>350.693</b>	<b>410.479</b>	<b>371.598</b>	<b>210.327</b>	<b>194.601</b>

Total is a one million nine hundred sixty seven thousand and hundred eighty liras.<sup>[1]</sup>80000 liras are for reconstruction.

- Abolition of lump-sum taxes collected every year from mülhak foundations,
- Adjustment of the ban on selling foundation property,
- Subjection of the liquid assets of foundations to Public Security Funds regulation and their management within that framework,
- Increase of provincial spending authority to avoid the destruction of foundation heritage,
- Abolition of the regulation preventing foundation movable and immovable assets to be rented for more than 3 years,
- Transfer of school buildings and plots to the Ministry of Education and Provincial Administration in accordance with the Unification of Education Law,
- Allocation of lands to immigrants who had settled on foundation forests and lands as woodsmen or tenants following the 1877 Ottoman-Russian War,
- Insurance of real estate belonging to foundations,
- Collection of 5% inspection fee from mülhak foundations,
- Completion of construction begun in Ottoman times and expansion of construction investments to Anatolia, as well as the construction of hotels in various provinces to meet accommodation needs, and

- Reclamation of foundation property from persons unrelated to foundations.
- Foundations made important contributions to social, economic and cultural development in the early years of the Republic.

The General Directorate of Foundations contributed to the modernization of Turkey by giving financial support to certain institutions. Table 2 provides the distribution of expenditures undertaken by the General Directorate of Foundations between 1924 and 1932.

#### D. The Foundations Law Prepared by Prof. Dr. Leeman<sup>4</sup>

*Prof. Dr. Leeman: The man of science who synthesized the old and the new.*

Foundations Law numbered 2762, prepared by Prof. Dr. Leeman following nine years of work, came into force in 1935. The fundamental aims and philosophy of this law were to:

- Establish strong controls for protecting all foundations from misuse
- Restructure foundations whose goals do not meet current needs so that they could meet them
- Protect from dissolution foundations with a social purpose but that tend towards dissolution
- Continue the management of well-managed foundations, while bringing the rest under the management of the General Directorate of Foundations
- Liquidate foundations that do not meet the stipulations of the Civil Code
- Assure that a record register is maintained for foundations.

Under the Foundations Law, the foundations inherited from the Ottoman era were grouped in three categories:

- Mazbut* Foundations
- Mülhak* Foundations
- Minority and Community Foundations

#### i. Mazbut Foundations

These are foundations whose founders and trustees passed away, and are managed by the General Directorate of Foundations. Totaling 5,376, the distribution of the immovable property belonging to these foundations is shown in Table 3.

TABLE 3. IMMOVABLE PROPERTIES OF MAZBUT FOUNDATIONS	
Type	Number
Registered mazbut foundation movable and immovable assets	38.344
Registered mazbut foundation charitable acts	17.726
Mülhak foundation movable and immovable assets	5.275
Mülhak foundation charitable acts	225
Donated movable and immovable assets	223
Donated charitable acts	91
7044 movable and immovable assets	224
7044 charitable acts	78
<b>TOTAL</b>	<b>62.186</b>

MOVEABLE AND IMMOVABLE ASSETS, CHARITABLE ACTS	
Type	Number
Movable and immovable assets	44.066
Charitable acts	18.120
<b>TOTAL</b>	<b>62.186</b>

*Source: General Directorate of Foundations.*

As shown in Table 3, there are a total of 62,186 immovable properties, 44,066 of which are revenue generating with the remaining 18,120 qualifying as charitable acts. It is observed that revenue generating properties existed in order to ensure the continuity of the foundations oriented towards charity.

#### ii. Mülhak Foundations

Numbering 322, these are foundations managed by the descendants of the original founders and trustees but which are supervised and overseen by the General Directorate of Foundations.

<sup>4</sup> He stayed in Turkey from 1929 to 1938. He prepared the Foundations Law, numbered 2762. In the presentation of the aforesaid law to the parliament, the prime minister of the time, İsmet İnönü, spoke of him with praise. Many sources refer to a "Leeman Report" which served as the basis of the draft Foundations Law. However, despite the research conducted at the Republican Archives, Grand National Assembly, Turkish History Institution, Istanbul University Library, Zurich University and Switzerland National Library, this report could not be found. For this reason, it is impossible to make a healthy judgement as to whether the draft law reflects Leeman's opinions as a whole or as to what degree it does.

**TABLE 4. DISTRIBUTION OF FOUNDATIONS ESTABLISHED IN THE REPUBLICAN ERA (AS OF 31.12.2003)**

Type	Number
Private Foundations	3.677
Social Solidarity and Mutual Aid Foundations	928
Environmental Protection Foundations	76
Social Security Foundations	24
Turkish Armed Forces Foundation	1
<b>Total</b>	<b>4.706</b>
Foundation Branches	3.059
Foundation Representative Offices	166
Liason Offices	27
<b>Overall Total</b>	<b>7.958</b>

Source: General Directorate of Foundations

### E. Republican Era Foundations

A total of 4,706 foundations were established during the Republican era.

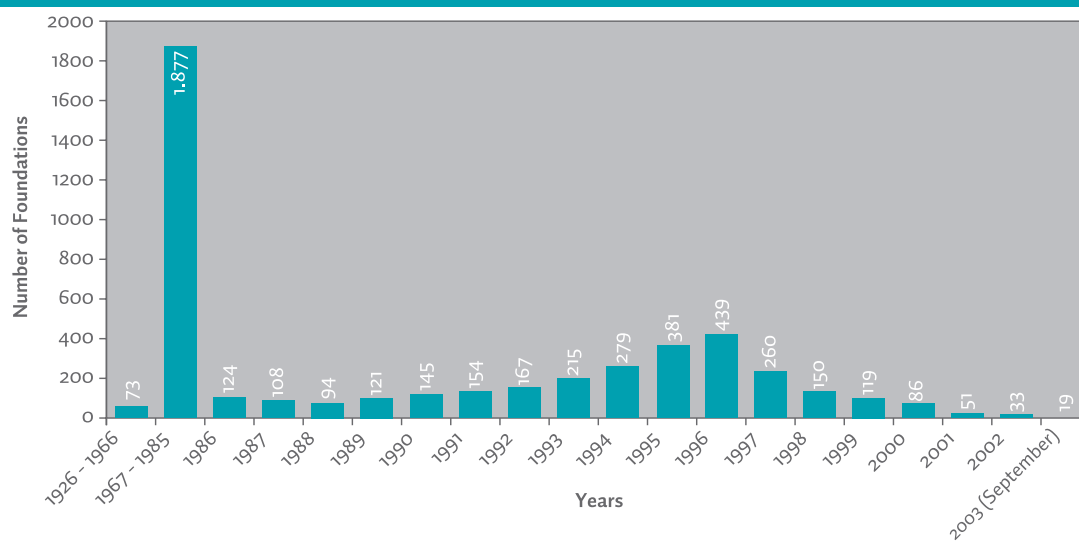
During the early Republican era, 73 foundations were registered within the framework provided by the “Establishment” section of the Turkish Civil Code, which includes the Security and Pension funds founded by banks and insurance companies in accordance with temporary Article 20 of the Social Security Law. The distribution of foundations established during the Republican era is given in Table 4.

As seen in Table 4, during the 80 years of the Republic, a total of 4,706 foundations were established. 3,677 of these foundations are private foundations established by real persons. Of these, 928 are Social Solidarity and Assistance Foundations established by law. Furthermore, there are 76 Environmental Foundations and 24 Social Security Foundations. Through the transfer of the combined property of the Foundations for the Strengthening of the Land, Sea and Air Forces, which was founded to strengthen the Turkish Armed Forces, the Foundation for the Strengthening of the Turkish Armed Forces was established with Law 3388,

### iii. Minority and Community Foundations

Established to meet the religious, social and cultural needs of the minority communities, these foundations are managed by minorities but remain subordinate to the supervision and oversight of the General Directorate of Foundations. There are 75 Greek, 52 Armenian, 18 Jewish, 9 Syriac, 3 Celdanian, 1 Bulgarian, 1 Georgian Catholic, 1 Maronite and 1 merchant foundations.

**FIGURE 1. FOUNDATION ESTABLISHMENT ACCORDING TO YEARS (TOTAL:4,895)**





dated 17.6.1987. Furthermore, there are 3,056 branches, 166 representations and 27 communication bureaus belonging to the foundations established in the Republican era.

With Law 903 introducing changes in the Civil Code in 1967, the registration of foundations increased. Figure 1 presents data on yearly foundation registration.

### The 1990s were boom years for foundations.

As seen from Figure 1, from 1926 until the end of 2003, a total of 4,895 foundations were registered. The greatest increase in the number of foundation registrations took place in the 1990s: the number which was 145 in 1990 increased rapidly to 279 in 1994, then 381 in 1995 and to 439 in 1996 with this trend declining thereafter. The main reason behind the growth in foundations at that time was to escape from the cumbersome legal procedures and oversight which applied to associations.

## II. FISCAL AND ECONOMIC ANALYSIS OF TAX-EXEMPT FOUNDATIONS

### A. Aim and Extent of the Research

The objective is to understand the fiscal and economic situation of foundations as a precursor to developing strategies and policy recommendations for the future. The research relies on balance sheet and revenue tables of tax-exempt foundations for 2000, 2001, and 2002 obtained from the General Directorate of Foundations. **The total number of tax-exempt foundations is 215**, with the greatest number of these based in Istanbul (Table 5 and Figure 2).

As seen from Figure 2, of the 215 foundations, 105 are in Istanbul, 60 are in Ankara, 11 are in Izmir and 4 are in Bursa. In other words, 85 % of foundations focus their activities in 5 regions.

In light of this information, 7 regions were selected to be included in the

**TABLE 5. REGIONAL DISTRIBUTION OF TAX-EXEMPT/PUBLIC BENEFIT STATUS FOUNDATIONS**

City	Number	%
İstanbul	105	48,84%
Ankara	60	27,91%
İzmir	11	5,12%
Adana - Mersin	4	1,86%
Bursa	4	1,86%
Eskişehir	4	1,86%
Konya	3	1,40%
Kocaeli	3	1,40%
Antalya	2	0,93%
Balıkesir	2	0,93%
Gaziantep	2	0,93%
Malatya	2	0,93%
Isparta	1	0,47%
Denizli	1	0,47%
Muğla	1	0,47%
Aydın	1	0,47%
Çanakkale	1	0,47%
Erzurum	1	0,47%
Kayseri	1	0,47%
Afyon	1	0,47%
Elazığ	1	0,47%
Samsun	1	0,47%
Yozgat	1	0,47%
Şanlıurfa	1	0,47%
Rize	1	0,47%
<b>Total</b>	<b>215</b>	<b>100,00%</b>

Source: Ministry of Finance General Directorate of Revenues

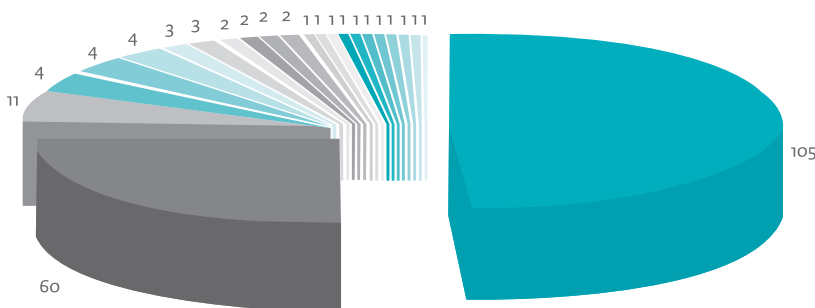
research, with the assumption that a study of foundations in 7 regions would be sufficient. Figure 3 gives statistical information about the foundations included in this study.

**The number of foundations in the research is 135, representing 80-85% of the total.**

The number of foundations in the 7 selected regions totals 189, however, 135 were included in this research for they

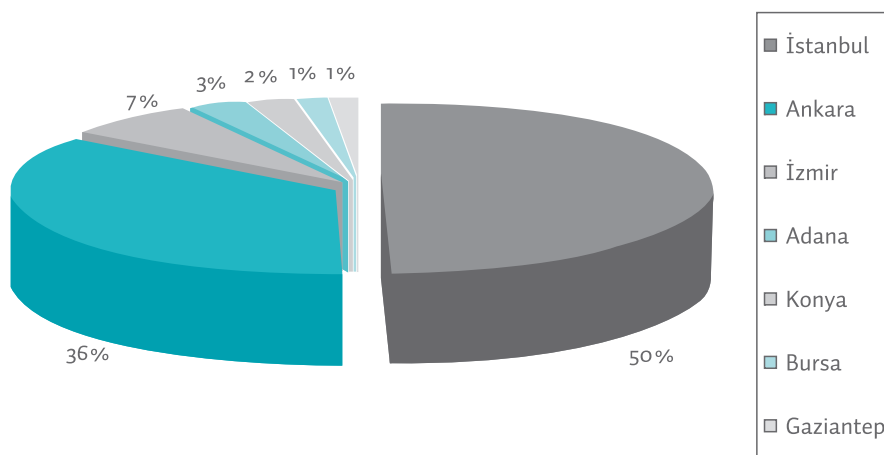
**FIGURE 2. REGIONAL DISTRIBUTION OF ALL TAX-EXEMPT FOUNDATIONS**

**SOURCE: MINISTRY OF FINANCE GENERAL DIRECTORATE OF REVENUES**



İstanbul	Ankara	İzmir	Adana - Mersin	Bursa
Eskişehir	Konya	Kocaeli	Antalya	Balıkesir
Gaziantep	Malatya	Isparta	Denizli	Muğla
Aydın	Çanakkale	Erzurum	Kayseri	Afyon
Elazığ	Samsun	Yozgat	Şanlıurfa	Rize

**FIGURE 3. REGIONAL DISTRIBUTION OF TAX-EXEMPT FOUNDATIONS INCLUDED IN THE SAMPLE**



**FIGURE 4. ANNUAL DISTRIBUTION OF TOTAL ASSETS**



were the only ones on which regular information could be obtained. The 135 foundations included in this research comprise 80-85% of the total tax-exempt foundations in terms of their size.

### B. The Asset and Liability Composition of Foundations

The distribution of the total assets and liabilities of the 135 foundations included in this research over three years (2000, 2001 and 2002) is summarized in Figure 4 and Figure 5.

As seen in Figure 4, 50 % of the total assets are in the form of liquid assets. Of

these, the most significant asset item is Bank Accounts.

Figure 5 shows from which resources the investments are financed. Of these resources, 70% in the year 2000 and 80% in the years 2001 and 2002 consist of equity capital.

### C. Growth Percentages of Assets and Liabilities

There are two inseparable elements of foundations: service and property.

The ability of a foundation to meet its stated objectives is dependent in large part on its asset base. Property used to meet expenses and services are the foundation's liquid assets, while investments such as buildings, lots, land or bonds are called fixed assets.

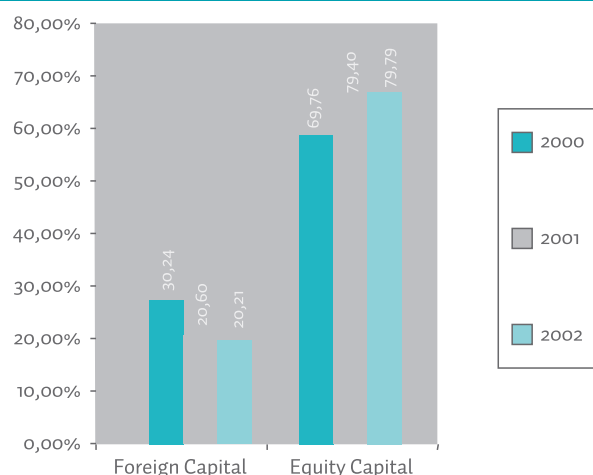
50% of foundation property is in the form of liquid assets.

Asset and liability growth percentages are shown in Table 6.

TABLE 6. GROWTH PERCENTAGES OF ASSETS AND LIABILITIES		
Years	2000-2001	2001-2002
Liquid Assets	84,05%	30,02%
Fixed Assets	9,14%	59,64%
Total Assets	46,52%	41,04%
Foreign Capital	0,17%	38,36%
Equity Capital	66,77%	41,78%
Total Liabilities	46,52%	41,07%

As seen in Table 6, total assets have increased 45 % in 2000-2001, and 41 % in 2001-2002. The ratio of liquid assets to total assets in 84 % is 2000-2001. This falls to 30% in 2001-2002.

FIGURE 5. ANNUAL DISTRIBUTION OF LIABILITIES



Meanwhile, there is a 66.7 % increase in equity capital in 2000-2001, which also falls to 41.7 % in 2001-2002.

### D. The Revenue-Expenditure Composition of Foundations

When the three year operation reports of the 135 foundations included in this research are examined, out of the total, 34 in 2000, 18 in 2001 and 25 in 2002 completed their fiscal years with a loss, as shown in Table 7 and Figure 6. In other words, 25 % of foundations spend more than their revenues.

The distribution of foundations according to type of revenue is given in Table 8.

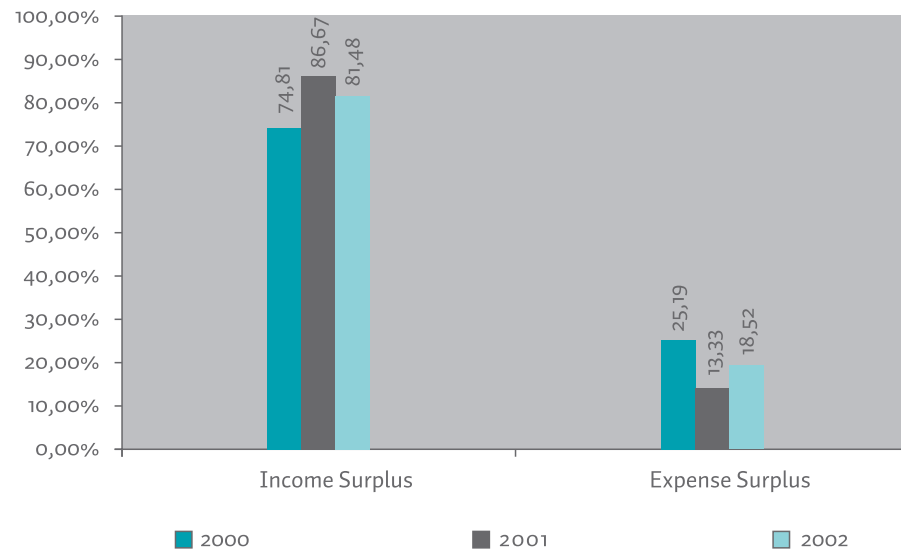
The main revenue source for foundations is financial revenues such as interest, bonds, foreign currency and dividends.

When Table 8 is examined closely, one can see that foundation revenues are comprised of three main items. The most important income item among these

TABLE 7. DISTRIBUTION OF FOUNDATIONS ACCORDING TO OPERATION OUTCOMES (BY YEAR)						
	2000	%	2001	%	2002	%
Revenue Surplus	101	74,81%	117	86,67%	110	81,48%
Expenditure Surplus	34	25,19%	18	13,33%	25	18,52%
TOTAL	135	100,00%	135	100,00%	135	100,00%

**TABLE 8. DISTRIBUTION OF REVENUES (BY YEAR)**

	2000	%	2001	%	2002	%
Total Revenue	323.347.386 TL	100,00%	505.344.126 TL	100,00%	576.919.129 TL	100,00%
Donation and aid	60.122.455 TL	18,59%	107.196.183 TL	21,21%	150.210.669 TL	26,04%
Financial revenue	176.187.744 TL	54,49%	339.788.362 TL	67,24%	307.965.301 TL	53,38%
Other operational revenue	87.037.187 TL	26,92%	58.359.581 TL	11,55%	118.743.159 TL	20,58%
Total Expenditure	229.928.558 TL	71,11%	321.733.000 TL	63,67%	397.262.451 TL	68,86%
Revenue-Expenditure Difference	93.418.828 TL	28,89%	183.611.126 TL	36,33%	179.656.678 TL	31,14%

**FIGURE 6. DISTRIBUTION OF FOUNDATION INCOME AND EXPENSE**

is financial revenues such as interest, bonds, foreign currency and dividends. In other words, revenue obtained from financial markets comprises the main revenue source for foundations. In 2000, 54 lira of each 100 lira revenue; in 2001, 67 lira of each 100 lira revenue and in 2002, 53 lira of each 100 lira revenue is

financial. Revenue from donation and aid is approximately 20%. Revenue from rent and management is listed among other operational revenue.

As for expenditures, foundations spent 71 lira of each 100 lira revenue in 2000, 63 lira of each 100 lira revenue in 2001 and 69 lira of each 100 lira revenue in 2002. General management expenditures are included in these expenditures as well as those used towards meeting the programmatic objectives of the foundation.

The yearly growth percentages in items of revenue and expenditure are given in Table 9.

As seen from Table 9, there was an increase of 56% in revenues in the 2000-2001 period, and a 14% increase in 2001-

**TABLE 9. GROWTH PERCENTAGES OF REVENUE AND EXPENDITURES**

Years	2000-2001	2001-2002
Total Revenue	56,29%	14,16%
Donation and aid	78,30%	40,13%
Financial Revenue	92,86%	-9,37%
Other operational revenue	-32,95%	103,47%
Total Expenditure	39,93%	23,48%
Revenue-Expenditure Difference	96,55%	-2,15%

**TABLE 10. FOUNDATIONS ACCORDING TO ASSET SIZE**

TABLE 10. FOUNDATIONS ACCORDING TO ASSET SIZE											
2000				2001				2002			
Number of Foundations	Total Assets (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Assets (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Assets (TL)	Total Equity (%)	Cumulative Equity (%)
1	157.622.014	20,02%	20,02%	1	272.150.333	23,56%	23,56%	1	367.819.856	22,66%	22,66%
2	124.201.438	15,77%	35,79%	2	121.331.991	10,50%	34,06%	2	156.475.740	9,64%	32,30%
3	68.518.508	8,70%	44,49%	3	90.256.224	7,81%	41,87%	3	144.675.389	8,91%	41,21%
4	56.430.358	7,17%	51,66%	4	83.899.636	7,26%	49,14%	4	109.047.716	6,72%	47,92%
5	54.131.356	6,87%	58,54%	5	66.123.447	5,72%	54,86%	5	100.471.222	6,19%	54,11%
6	49.802.948	6,33%	64,86%	6	63.697.806	5,51%	60,37%	6	81.593.985	5,03%	59,14%
7	32.594.857	4,14%	69,00%	7	48.683.403	4,21%	64,59%	7	73.934.659	4,55%	63,69%
8	27.111.321	3,44%	72,44%	8	45.052.951	3,90%	68,49%	8	72.901.508	4,49%	68,18%
9	23.987.582	3,05%	75,49%	9	40.322.858	3,49%	71,98%	9	69.038.443	4,25%	72,44%
10	19.877.917	2,52%	78,01%	10	35.254.928	3,05%	75,03%	10	60.798.046	3,74%	76,18%
11	16.108.839	2,05%	80,06%	11	31.697.152	2,74%	77,77%	11	39.452.999	2,43%	78,61%
12	12.516.100	1,59%	81,65%	12	23.877.096	2,07%	79,84%	12	25.168.541	1,55%	80,16%
13	9.457.721	1,20%	82,85%	13	15.399.485	1,33%	81,17%	13	24.770.804	1,53%	81,69%
14	8.260.820	1,05%	83,90%	14	14.234.774	1,23%	82,41%	14	24.697.703	1,52%	83,21%
15	7.998.242	1,02%	84,92%	15	13.425.103	1,16%	83,57%	15	21.315.180	1,31%	84,52%
120	118.776.314	15,08%	100%	120	189.832.763	16,43%	100%	16	20.950.100	1,29%	85,81%
	787.396.335	100%			1.155.239.950	100,00%		17	17.305.069	1,07%	86,88%
								122	213.037.988	13,12%	100%
									1.623.454.948	100,00%	

2002. The greatest variation in growth ratios is seen in “financial revenues.” Since the growth ratio in expenditures in 2001-2002 was greater than that in revenues, the revenue-expenditure difference decreased by 2.15 %.

**E. Pareto (80/20) Analysis in Foundations**

The Pareto principle states that there is an incongruity between causes and results, efforts and profits, and inputs and outputs. Accordingly, 80% of the results come out of 20% of the causes, 80% of profits out of 20% of efforts, and 80% of outputs out of 20% of the inputs. This principle is deployed widely in efficiency and productivity analyses. In this portion of the study, foundations

will be analyzed in terms of the size of their assets, their equity capital and their revenues, in order to determine their concentration.

**15 foundations in this sample has 84% of total assets.**

As shown by Table 10, 15 of the 135 foundations own 84% of total assets while the remaining 120 foundations own 16% of total assets.

Total assets, which amounted to 787 trillion in 2000, increased to 1,155 trillion in 2001 and 162,345 trillion in 2002. However, since some items on the balance sheet remain fixed, the balance sheets do not exactly reflect reality in an inflationary environment especially since foundations do not use inflation

**TABLE 11. DISTRIBUTION OF FOUNDATIONS ACCORDING TO TOTAL EQUITY**

Number of Foundations	2000			2001			2002				
	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)
1	123.292.715	22,44%	22,44%	1	196.891.689	21,49%	21,49%	1	258.280.320	19,89%	19,89%
2	67.557.913	12,30%	34,74%	2	90.040.561	9,83%	31,32%	2	144.149.639	11,10%	30,98%
3	56.291.597	10,25%	44,99%	3	68.395.669	7,47%	38,79%	3	105.100.855	8,09%	39,08%
4	32.529.308	5,92%	50,91%	4	65.569.159	7,16%	45,94%	4	100.202.501	7,71%	46,79%
5	27.420.264	4,99%	55,90%	5	59.941.694	6,54%	52,49%	5	74.480.621	5,73%	52,53%
6	25.746.703	4,69%	60,59%	6	48.677.262	5,31%	57,80%	6	72.859.583	5,61%	58,13%
7	23.781.585	4,33%	64,92%	7	40.302.398	4,40%	62,20%	7	69.030.147	5,31%	63,45%
8	20.151.649	3,67%	68,59%	8	38.042.803	4,15%	66,35%	8	57.380.974	4,42%	67,87%
9	19.669.514	3,58%	72,17%	9	35.148.695	3,84%	70,19%	9	51.041.125	3,93%	71,80%
10	16.098.048	2,93%	75,10%	10	31.693.978	3,46%	73,65%	10	50.905.678	3,92%	75,72%
11	12.131.903	2,21%	77,31%	11	31.358.785	3,42%	77,07%	11	39.219.463	3,02%	78,74%
12	11.660.295	2,12%	79,43%	12	23.858.216	2,60%	79,68%	12	24.749.606	1,91%	80,64%
13	7.891.579	1,44%	80,87%	13	13.298.871	1,45%	81,13%	13	24.648.316	1,90%	82,54%
14	7.780.527	1,42%	82,28%	14	12.637.107	1,38%	82,51%	14	19.321.742	1,49%	84,03%
15	6.547.620	1,19%	83,47%	15	11.368.350	1,24%	83,75%	15	14.424.227	1,11%	85,14%
16	6.450.529	1,17%	84,65%	16	9.371.317	1,02%	84,77%	130	193.033.385	14,86%	100,00%
17	6.429.365	1,17%	85,82%	17	9.144.184	1,00%	85,77%		1.298.828.182	100,00%	
18	5.762.790	1,05%	86,87%	118	130.372.608	14,23%	100,00%				
117	72.144.268	13,13%	100%		916.113.346	100%					
	549.338.172	100%									

accounting in full, therefore, their assets appear less than they actually are.

**15 foundations own 84% of total equity capital.**

Table 11 shows the distribution of foundations according to the size of their equity capital.

As with the distribution of the size of assets, 15 of the 135 foundations own approximately 84% of the total equity capital. The remaining 120 foundations own 16% of the total equity capital.

**15 foundations receive 80 % of total income.**

Table 12 shows the distribution of foundations according to the size of their revenues. In year 2000, 323 trillion; in

2001, 505 trillion, and in 2002, 576 trillion was received by foundations in the form of revenue. When these revenues are analyzed according to the Pareto principle, it is observed that in 2000, 21 foundations received 85% of total revenue, and 114 received 15 %. In 2001, 19 foundations received 83% of total revenue, and 116 received 17 %. In 2002, 18 foundations received 84% of the total, while the remaining 17 received 16%.

**A single foundation has a 20% share.**

These results are open indicators of the fact that there is a great degree of discrepancy between foundations. There are great differences existing in terms of assets, equity assets, and revenues

**TABLE 12. DISTRIBUTION OF FOUNDATIONS ACCORDING TO INCOME**

TABLE 12. DISTRIBUTION OF FOUNDATIONS ACCORDING TO INCOME											
2000				2001				2002			
Number of Foundations	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)	Number of Foundations	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)
1	74.199.500	22,95%	22,95%	1	79.525.837	15,74%	15,74%	1	66.513.098	11,53%	11,53%
2	34.071.957	10,54%	33,48%	2	55.217.419	10,93%	26,66%	2	62.261.443	10,79%	22,32%
3	26.092.038	8,07%	41,55%	3	42.679.717	8,45%	35,11%	3	51.273.688	8,89%	31,21%
4	20.374.390	6,30%	47,85%	4	40.967.169	8,11%	43,22%	4	51.178.476	8,87%	40,08%
5	17.941.249	5,55%	53,40%	5	33.952.291	6,72%	49,93%	5	48.842.791	8,47%	48,55%
6	16.961.642	5,25%	58,65%	6	27.089.490	5,36%	55,30%	6	33.011.705	5,72%	54,27%
7	14.122.527	4,37%	63,02%	7	24.513.118	4,85%	60,15%	7	30.782.703	5,34%	59,60%
8	9.314.657	2,88%	65,90%	8	20.808.837	4,12%	64,26%	8	27.125.663	4,70%	64,31%
9	8.112.843	2,51%	68,41%	9	15.631.037	3,09%	67,36%	9	23.041.375	3,99%	68,30%
10	6.922.396	2,14%	70,55%	10	12.294.435	2,43%	69,79%	10	15.022.487	2,60%	70,90%
11	5.628.818	1,74%	72,29%	11	9.194.690	1,82%	71,61%	11	13.601.183	2,36%	73,26%
12	5.130.491	1,59%	73,87%	12	8.701.592	1,72%	73,33%	12	12.523.724	2,17%	75,43%
13	4.825.816	1,49%	75,37%	13	8.588.179	1,70%	75,03%	13	11.033.637	1,91%	77,34%
14	4.459.980	1,38%	76,75%	14	7.893.987	1,56%	76,59%	14	10.414.547	1,81%	79,15%
15	4.211.294	1,30%	78,05%	15	7.404.801	1,47%	78,06%	15	9.304.373	1,61%	80,76%
16	4.118.161	1,27%	79,32%	16	6.937.678	1,37%	79,43%	16	7.744.833	1,34%	82,10%
17	4.025.315	1,24%	80,57%	17	6.746.628	1,34%	80,77%	17	6.192.247	1,07%	83,18%
18	3.887.572	1,20%	81,77%	18	6.094.486	1,21%	81,97%	18	6.122.259	1,06%	84,24%
19	3.830.419	1,18%	82,95%	19	5.156.379	1,02%	82,99%	117	90.928.897	15,76%	100,00%
20	3.606.719	1,12%	84,07%	116	85.946.356	17,01%	100,00%		576.919.129	100,00%	
21	3.388.612	1,05%	85,12%		505.344.126	100,00%					
114	48.120.990	14,88%	100,00%								
	323.347.386	100,00%									

between large foundations and small foundations. When distributions of the size of assets, equity assets and revenues are compared, it is seen that a single foundation has a 20% share of the total. The 5 largest among 135 foundations own 50% of the equity assets and 53% of the revenue.

**F. Comparative Analysis of Public and Private Foundations**

Of the 4,706 foundations founded in the Republican era and still operating, 3,677 of them are individual foundations either

established by real persons or by administrators of public institutions and enterprises and carry out their activities as a subsidiary branch and as part of the said public institution. Distribution of these foundations according to their related public institutions and enterprises is given in Table 13.

As seen in Table 13, there are a total of 602 public foundations at 18 different public institutions. Among these, state universities and ministries come first. 32 of these are included in this research.

**TABLE 13. DISTRIBUTION OF STATE (PUBLIC) FOUNDATIONS**

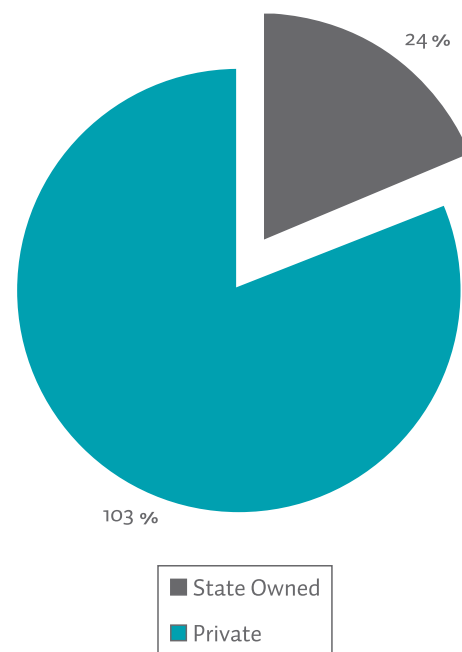
Type	Number
University Foundations	137
Ministry of Environment and Forests	86
Ministry of Education	86
Prime Ministry	72
Ministry of Interior	68
Municipalities	47
Ministry of Health	39
Ministry of Agriculture and Villages	13
Ministry of Defense	11
Ministry of Culture and Tourism	9
Ministry of Energy and Natural Resources	7
Ministry of Transportation	6
Ministry of Industry and Commerce	6
Ministry of Justice	6
Ministry of Labor and Social Security	4
Ministry of Public Services and Settlements	3
Grand National Assembly	1
Ministry of Foreign Affairs	1
<b>TOTAL</b>	<b>602</b>

Source: General Directorate of Foundations

The breakdown of the 135 foundations into public and private foundations covered by this research is:

As seen in the figure, of the 135

**FIGURE 7. TYPE OF PUBLIC BENEFIT/TAX EXEMPT FOUNDATION**



foundations, 76% (n=103) are private and 24% (n=32) are public. In other words, one in four foundations is public.

### G. Asset-Liability Composition of Public Foundations and Growth Percentages

The asset-liability compositions of public foundations and their growth percentages are shown in Table 14 and Table 15.

**TABLE 14. ASSET-LIABILITY COMPOSITION OF STATE (PUBLIC) FOUNDATIONS**

	2000	%	2001	%	2002	%
Liquid Assets	181.170.442 TL	44,06%	318.610.172 TL	67,17%	426.244.703 TL	62,26%
Fixed Assets	230.060.046 TL	55,94%	155.689.672 TL	32,83%	258.412.390 TL	37,74%
<b>Total</b>	<b>411.230.488 TL</b>	<b>100,00%</b>	<b>474.299.844 TL</b>	<b>100,00%</b>	<b>684.657.093 TL</b>	<b>100,00%</b>
	2000	%	2001	%	2002	%
Foreign Capital	40.105.939 TL	9,75%	70.141.769 TL	14,79%	118.989.129 TL	17,38%
Equity Capital	371.124.549 TL	90,25%	404.158.075 TL	85,21%	565.667.964 TL	82,62%
<b>Total</b>	<b>411.230.488 TL</b>	<b>100,00%</b>	<b>474.299.844 TL</b>	<b>100,00%</b>	<b>684.657.093 TL</b>	<b>100,00%</b>



**TABLE 15. INCREASES IN TOTAL ASSETS AND LIABILITIES**

	2000-2001	2001-2002
Liquid Assets	75,86%	33,78%
Fixed Assets	-32,33%	65,98%
Total Assets	15,34%	44,35%
Foreign Capital	74,89%	69,64%
Equity Capital	8,90%	39,96%
Total Liabilities	15,34%	44,35%

The liquid assets of the 32 total public foundations were 44% in 2000, but increased to over 60% in 2001 and 2002. In fixed assets, this amount decreased to 30% from 55%. In equity capital ratios there is a decreasing trend over the years.

**H. Pareto (80/20) Analysis of Public Foundations**

The distribution of public foundations according to size of total assets, equity capital and income is summarized in Table 16, 17 and 18.

When these tables are comparatively examined, one finds that 13 foundations among the 32 public foundations own 96% of the total amount of assets, equity capital and revenues, while the remaining 19 foundations hold a 4% share.

**I. The Asset-Liability Composition of Private Foundations and Growth Percentages**

The asset-liability composition of private foundations and their growth percentages are shown in Table 19 and 20.

**TABLE 16. DISTRIBUTION OF STATE FOUNDATIONS ACCORDING TO ASSETS**

Number of Foundations	Type	2000			2001			2002						
		Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)	Number of Foundations	Type	Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)	Number of Foundations	Type	Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)
1	State	124.201.940	30,20%	30,20%	1	State	90.256.223	19,03%	19,03%	1	State	144.675.388	21,13%	21,13%
2	State	68.518.508	16,66%	46,86%	2	State	83.899.706	17,69%	36,72%	2	State	109.047.715	15,93%	37,06%
3	State	56.430.358	13,72%	60,59%	3	State	66.123.446	13,94%	50,66%	3	State	100.471.222	14,67%	51,73%
4	State	54.131.356	13,16%	73,75%	4	State	63.697.805	13,43%	64,09%	4	State	81.593.985	11,92%	63,65%
5	State	32.594.857	7,93%	81,68%	5	State	48.683.403	10,26%	74,35%	5	State	69.038.443	10,08%	73,73%
6	State	23.987.582	5,83%	87,51%	6	State	35.254.928	7,43%	81,79%	6	State	60.798.046	8,88%	82,61%
7	State	8.260.829	2,01%	89,52%	7	State	15.399.484	3,25%	85,03%	7	State	25.168.541	3,68%	86,29%
8	State	6.952.681	1,69%	91,21%	8	State	14.234.774	3,00%	88,03%	8	State	20.950.100	3,06%	89,35%
9	State	6.664.914	1,62%	92,83%	9	State	9.375.203	1,98%	90,01%	9	State	11.542.444	1,69%	91,04%
10	State	5.765.369	1,40%	94,23%	10	State	9.289.833	1,96%	91,97%	10	State	10.765.832	1,57%	92,61%
11	State	5.024.963	1,22%	95,45%	11	State	8.837.914	1,86%	93,83%	11	State	10.459.592	1,53%	94,14%
12	State	4.603.563	1,12%	96,57%	12	State	6.877.604	1,45%	95,28%	12	State	10.274.772	1,50%	95,64%
20	State	14.093.568	3,43%	100,00%	13	State	6.301.150	1,33%	96,61%	13	State	8.953.745	1,31%	96,94%
TOTAL		411.230.488	100,00%		19	State	16.068.371	3,39%	100,00%	19	State	20.917.268	3,06%	100,00%
					TOTAL		474.299.844	100,00%		TOTAL		684.657.093	100,00%	

**TABLE 17. DISTRIBUTION OF STATE FOUNDATIONS ACCORDING TO TOTAL EQUITY**

Number of Foundations	2000			Number of Foundations	2001			Number of Foundations	2002		
	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)		Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)		Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)
1	123.292.715	33,22%	33,22%	1	90.040.561	22,28%	22,28%	1	144.149.639	25,42%	25,42%
2	67.557.913	18,20%	51,42%	2	65.569.159	16,22%	38,51%	2	100.202.501	17,67%	43,09%
3	56.291.597	15,17%	66,59%	3	59.941.694	14,83%	53,34%	3	74.480.621	13,14%	56,23%
4	32.529.308	8,76%	75,36%	4	48.677.262	12,05%	65,38%	4	69.030.147	12,17%	68,40%
5	27.420.264	7,39%	82,74%	5	38.042.803	9,41%	74,80%	5	51.041.125	9,00%	77,40%
6	23.781.585	6,41%	89,15%	6	35.148.695	8,70%	83,49%	6	50.905.678	8,98%	86,38%
7	6.450.529	1,74%	90,89%	7	13.298.871	3,29%	86,78%	7	12.038.666	2,12%	88,50%
8	6.429.365	1,73%	92,62%	8	9.371.317	2,32%	89,10%	8	10.845.945	1,91%	90,42%
9	5.762.790	1,55%	94,18%	9	9.144.184	2,26%	91,37%	9	10.454.241	1,84%	92,26%
10	4.784.337	1,29%	95,46%	10	8.515.363	2,11%	93,47%	10	9.288.935	1,64%	93,90%
11	4.023.627	1,08%	96,55%	11	6.298.185	1,56%	95,03%	11	8.951.268	1,58%	95,48%
21	12.809.404	3,45%	100,00%	12	6.139.549	1,52%	96,55%	21	25.646.591	4,52%	100,00%
<b>TOTAL</b>	<b>371.133.434</b>	<b>100,00%</b>		<b>20</b>	<b>13.938.397</b>	<b>3,45%</b>	<b>100,00%</b>	<b>TOTAL</b>	<b>567.035.357</b>	<b>100,00%</b>	
				<b>TOTAL</b>	<b>404.126.040</b>	<b>100,00%</b>					

**TABLE 18. DISTRIBUTION OF STATE FOUNDATIONS ACCORDING TO INCOME**

Number of Foundations	2000			Number of Foundations	2001			Number of Foundations	2002		
	Total Income (TL)	Total Income (%)	Cumulative Income (%)		Total Income (TL)	Total Income (%)	Cumulative Income (%)		Total Income (TL)	Total Income (%)	Cumulative Income (%)
1	34.071.957	21,43%	21,43%	1	55.217.419	19,21%	19,21%	1	66.513.098	18,29%	18,29%
2	26.092.038	16,41%	37,85%	2	42.679.717	14,85%	34,06%	2	51.273.688	14,10%	32,38%
3	17.941.249	11,29%	49,13%	3	40.967.169	14,25%	48,32%	3	51.178.476	14,07%	46,45%
4	16.961.642	10,67%	59,80%	4	33.952.291	11,81%	60,13%	4	48.842.791	13,43%	59,88%
5	14.122.527	8,88%	68,69%	5	27.089.490	9,43%	69,55%	5	33.011.705	9,08%	68,95%
6	9.314.657	5,86%	74,55%	6	24.513.118	8,53%	78,08%	6	30.782.703	8,46%	77,42%
7	5.628.818	3,54%	78,09%	7	9.194.690	3,20%	81,28%	7	27.125.663	7,46%	84,87%
8	5.130.491	3,23%	81,32%	8	8.588.179	2,99%	84,27%	8	13.601.183	3,74%	88,61%
9	4.825.816	3,04%	84,35%	9	7.404.801	2,58%	86,85%	9	10.414.547	2,86%	91,48%
10	4.459.980	2,81%	87,16%	10	6.094.486	2,12%	88,97%	10	6.122.259	1,68%	93,16%
11	4.025.315	2,53%	89,69%	11	4.582.969	1,59%	90,56%	11	4.646.220	1,28%	94,44%
12	3.887.572	2,45%	92,14%	12	4.354.215	1,51%	92,08%	12	3.963.184	1,09%	95,53%
13	2.631.779	1,66%	93,79%	13	4.207.661	1,46%	93,54%	15	16.270.542	4,47%	100,00%
19	9.868.217	6,21%	100,00%	14	4.007.857	1,39%	94,93%	<b>TOTAL</b>	<b>363.746.059</b>	<b>100,00%</b>	
<b>TOTAL</b>	<b>162.535.708</b>	<b>100,00%</b>		<b>15</b>	<b>3.323.085</b>	<b>1,16%</b>	<b>96,09%</b>				
				<b>17</b>	<b>11.234.360</b>	<b>3,91%</b>	<b>100,00%</b>				
				<b>TOTAL</b>	<b>287.411.507</b>	<b>100,00%</b>					

**TABLE 19. ASSET-LIABILITY COMPOSITION OF PRIVATE FOUNDATIONS**

	2000	%	2001	%	2002	%
Liquid Assets	211.875.636 TL	56,31%	404.776.281 TL	59,56%	514.303.309 TL	54,53%
Fixed Assets	164.379.053 TL	43,69%	274.785.253 TL	40,44%	428.812.306 TL	45,47%
Total	376.254.689 TL	100,00%	679.561.534 TL	100,00%	943.115.615 TL	100,00%
Years	2000	%	2001	%	2002	%
Foreign Capital	63.391.673 TL	16,85%	114.907.636 TL	16,91%	124.161.527 TL	13,17%
Equity Capital	312.863.016 TL	83,15%	564.653.898 TL	83,09%	818.954.088 TL	86,83%
Total	376.254.689 TL	100,00%	679.561.534 TL	100,00%	943.115.615 TL	100,00%

**TABLE 20. GROWTH PERCENTAGES OF PRIVATE FOUNDATIONS**

	2000-2001	2001-2002
Liquid Assets	91,04%	27,06%
Fixed Assets	67,17%	56,05%
Total Assets	80,61%	38,78%
Foreign Capital	81,27%	8,05%
Equity Capital	80,48%	45,04%
Total Liabilities	80,61%	38,78%

While the asset growth percentage of the 103 private foundations was 80.6% in 2000-2001, in 2001-2002 this ratio became 38%. The ratio of liquid assets to all investment remains above 50%.

### J. Pareto (80/20) Analysis of Private Foundations

The distribution statistics of the total amount of assets, equity capital and revenue of private foundations are summarized in Table 21, 22 and 23.

When Table 21 is examined, one finds that in terms of size of assets, one foundation comprises 40%, 5 foundations 75% and 10 foundations 85% of the total amount. The remaining 93 foundations have only a 15% share.

When Table 22 is examined, one finds that in terms of equity capital size, in 2000, one foundation has 14.4%; in 2001, 38.4 %; and in 2002, 35.2 % of the

total amount. The share of the top 5 foundations which was 52% in 2002, increases to 72% in later years.

When the distribution in terms of revenue is examined, it is seen that in 2000, one foundation has 45%; in 2001, 35%, and in 2002, 28% of the total amount. The share of eleven foundations is 81.3%, 77% and 73% over consecutive years.

### K. Comparative Analysis of Assets, Equity Capital and Revenue of Public and Private Foundations

- Private foundations are ahead of public foundations in terms of amount of assets and equity capital.

The amounts of assets, equity capital and revenue of public and private foundations are presented comparatively in Figures 8, 9 and 10.

**TABLE 21. DISTRIBUTION OF PRIVATE FOUNDATIONS ACCORDING TO ASSET SIZE**

Number of Foundations	2000			Number of Foundations	2001			Number of Foundations	2002		
	Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)		Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)		Total Assets (TL)	Total Assets (%)	Cumulative Assets (%)
1	157.622.014	41,89%	41,89%	1	272.150.332	40,05%	40,05%	1	367.819.856	39,00%	39,00%
2	49.802.948	13,24%	55,13%	2	121.325.991	17,85%	57,90%	2	156.475.740	16,59%	55,59%
3	27.111.321	7,21%	62,33%	3	45.052.951	6,63%	64,53%	3	73.934.659	7,84%	63,43%
4	19.897.917	5,29%	67,62%	4	40.322.857	5,93%	70,46%	4	72.901.507	7,73%	71,16%
5	16.108.839	4,28%	71,90%	5	31.697.662	4,66%	75,13%	5	39.453.000	4,18%	75,34%
6	12.516.099	3,33%	75,23%	6	23.877.096	3,51%	78,64%	6	24.770.604	2,63%	77,97%
7	9.457.721	2,51%	77,74%	7	13.425.777	1,98%	80,62%	7	24.697.703	2,62%	80,59%
8	7.998.242	2,13%	79,87%	8	11.471.244	1,69%	82,31%	8	21.315.180	2,26%	82,85%
9	7.825.163	2,08%	81,95%	9	10.179.156	1,50%	83,80%	9	17.305.069	1,83%	84,68%
10	6.558.627	1,74%	83,69%	10	9.230.485	1,36%	85,16%	10	14.804.603	1,57%	86,25%
11	5.303.426	1,41%	85,10%	11	8.893.077	1,31%	86,47%	11	13.651.809	1,45%	87,70%
12	4.276.081	1,14%	86,24%	12	8.553.995	1,26%	87,73%	12	10.280.002	1,09%	88,79%
91	51.776.291	13,76%	100,00%	91	83.380.911	12,27%	100,00%	91	105.705.883	11,21%	100,00%
TOTAL	376.254.689	100,00%		TOTAL	679.561.534	100,00%		TOTAL	943.115.615	100,00%	

**TABLE 22. DISTRIBUTION OF PRIVATE FOUNDATIONS ACCORDING TO EQUITY**

Number of Foundations	2000			Number of Foundations	2001			Number of Foundations	2002		
	Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)		Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)		Total Equity (TL)	Total Equity (%)	Cumulative Equity (%)
1	25.746.703	14,45%	14,45%	1	196.891.689	38,46%	38,46%	1	258.280.320	35,29%	35,29%
2	20.151.649	11,31%	25,76%	2	68.395.669	13,36%	51,82%	2	105.100.855	14,36%	49,66%
3	19.669.514	11,04%	36,79%	3	40.302.398	7,87%	59,69%	3	72.859.583	9,96%	59,61%
4	16.098.048	9,03%	45,83%	4	31.693.978	6,19%	65,88%	4	57.380.974	7,84%	67,45%
5	12.131.903	6,81%	52,63%	5	31.358.785	6,12%	72,00%	5	39.219.463	5,36%	72,81%
6	11.660.295	6,54%	59,18%	6	23.858.216	4,66%	76,66%	6	24.749.606	3,38%	76,20%
7	7.891.579	4,43%	63,61%	7	12.637.107	2,47%	79,13%	7	24.648.316	3,37%	79,56%
8	7.780.527	4,37%	67,97%	8	11.368.350	2,22%	81,35%	8	19.321.742	2,64%	82,20%
9	6.547.620	3,67%	71,65%	9	8.884.719	1,74%	83,09%	9	14.424.227	1,97%	84,17%
10	4.245.640	2,38%	74,03%	10	8.502.807	1,66%	84,75%	10	10.668.493	1,46%	85,63%
11	3.127.038	1,75%	75,78%	11	5.315.099	1,04%	85,79%	11	9.465.556	1,29%	86,93%
12	2.984.331	1,67%	77,46%	12	72.778.489	14,21%	100,00%	12	95.673.690	13,07%	100,00%
13	2.762.495	1,55%	79,01%		511.987.306	100,00%			731.792.825	100,00%	
14	2.709.524	1,52%	80,53%								
15	2.218.191	1,24%	81,77%								
88	32.479.681	18,23%	100,00%								
TOTAL	178.204.738	100,00%									

**TABLE 23. DISTRIBUTION OF PRIVATE FOUNDATIONS ACCORDING TO REVENUE**

Number of Foundations	2000			Number of Foundations	2001			Number of Foundations	2002		
	Total Income (TL)	Total Income (%)	Cumulative Income (%)		Total Income (TL)	Total Income (%)	Cumulative Income (%)		Total Income (TL)	Total Income (%)	Cumulative Income (%)
1	74.199.500	45,53%	45,53%	1	79.525.837	35,84%	35,84%	1	62.261.443	28,77%	28,77%
2	20.374.390	12,50%	58,03%	2	20.808.837	9,38%	45,22%	2	23.041.375	10,65%	39,42%
3	8.112.843	4,98%	63,01%	3	15.631.037	7,04%	52,26%	3	15.022.487	6,94%	46,36%
4	6.922.396	4,25%	67,25%	4	12.294.435	5,54%	57,80%	4	12.523.724	5,79%	52,15%
5	4.211.294	2,58%	69,84%	5	8.701.592	3,92%	61,72%	5	11.033.637	5,10%	57,25%
6	4.118.161	2,53%	72,36%	6	7.893.987	3,56%	65,28%	6	9.304.373	4,30%	61,55%
7	3.830.419	2,35%	74,71%	7	6.937.678	3,13%	68,40%	7	7.744.833	3,58%	65,13%
8	3.606.719	2,21%	76,93%	8	6.746.628	3,04%	71,45%	8	6.192.247	2,86%	67,99%
9	3.388.612	2,08%	79,01%	9	5.156.379	2,32%	73,77%	9	5.082.287	2,35%	70,34%
10	2.157.739	1,32%	80,33%	10	3.665.385	1,65%	75,42%	10	3.040.340	1,41%	71,74%
11	1.651.467	1,01%	81,34%	11	3.548.846	1,60%	77,02%	11	2.869.112	1,33%	73,07%
92	30.406.787	18,66%	100,00%	12	3.199.718	1,44%	78,46%	12	2.675.565	1,24%	74,31%
TOTAL	161.311.490	100,00%		13	2.697.748	1,22%	79,68%	13	2.391.246	1,11%	75,41%
				90	45.096.109	20,32%	100,00%	14	2.327.059	1,08%	76,49%
				TOTAL	221.904.216	100,00%		15	2.184.847	1,01%	77,50%
								16	2.180.252	1,01%	78,51%
								87	46.512.352	21,49%	100,00%
								TOTAL	216.387.179	100,00%	

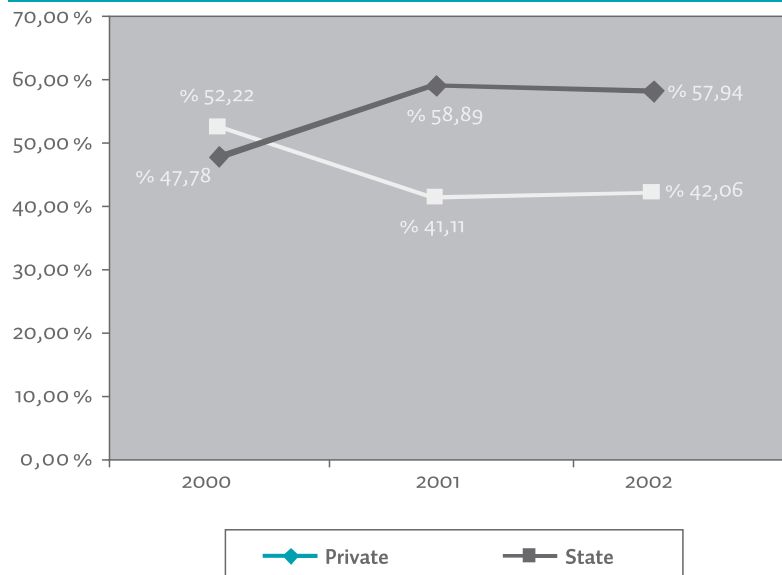
While public foundations had a 52.2% share in 2000, this ratio declined to 42% in 2001 and 2002. On the other hand, in terms of asset size, private foundations outpaced public foundations in 2001 and 2002.

A similar trend is observed also with regard to equity capital: public foundations which had been ahead in 2000 fell behind private foundations in later years.

- **Public foundations collect more revenue than private foundations due to mandatory donations.**

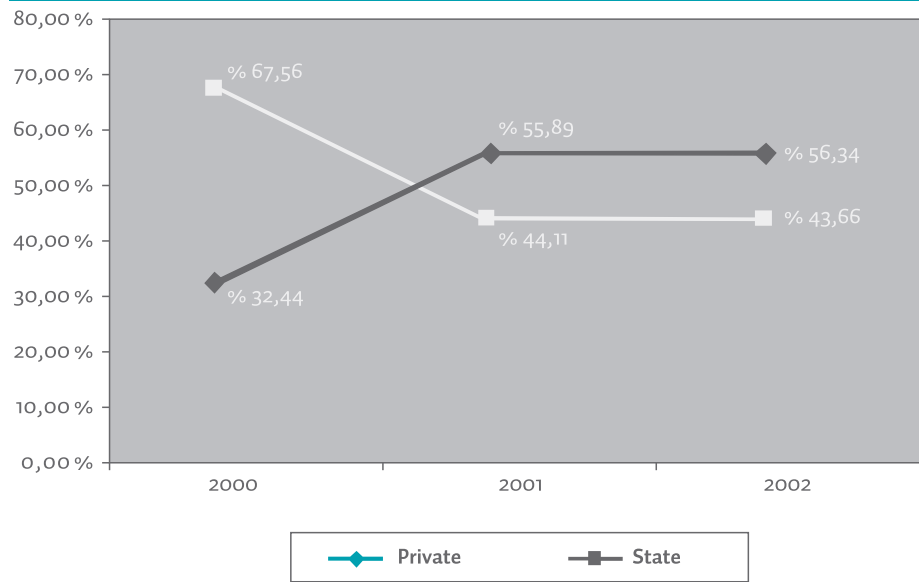
When examining the revenue composition between public and private foundations, an interesting picture emerges. While the share of public foundations in total revenue was 50% in year 2000, it increased first to

**FIGURE 8. DISTRIBUTION ACCORDING TO REVENUE (YEARS)**

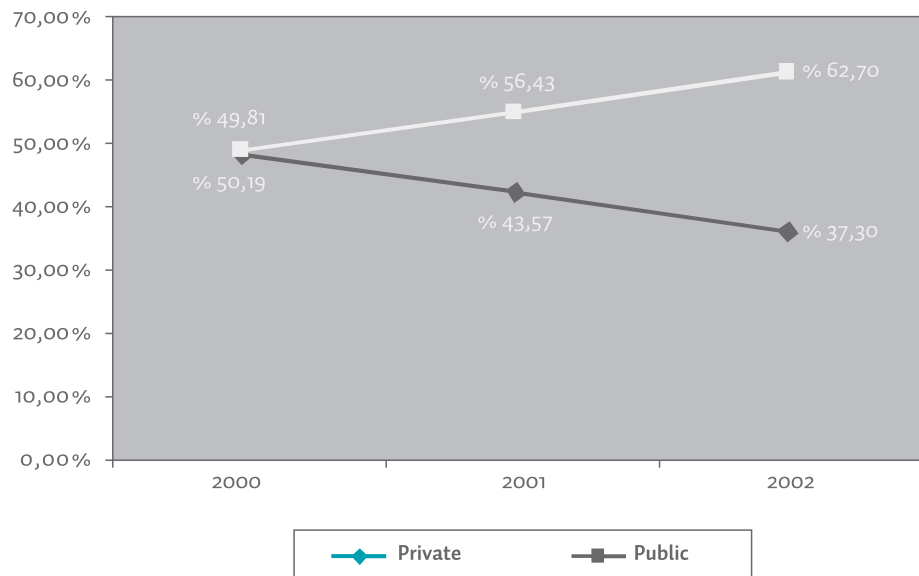


56.4% and then to 62.7% in 2001 and 2002. With regard to revenue creation,

**FIGURE 9. DISTRIBUTION OF EQUITY (YEARS)**



**FIGURE 10. DISTRIBUTION ACCORDING TO REVENUE SIZE (YEARS)**



public foundations are ahead of private foundations due to the fact that citizens

obtain the “public” services provided by public foundations through paying a “mandatory donation” amount.

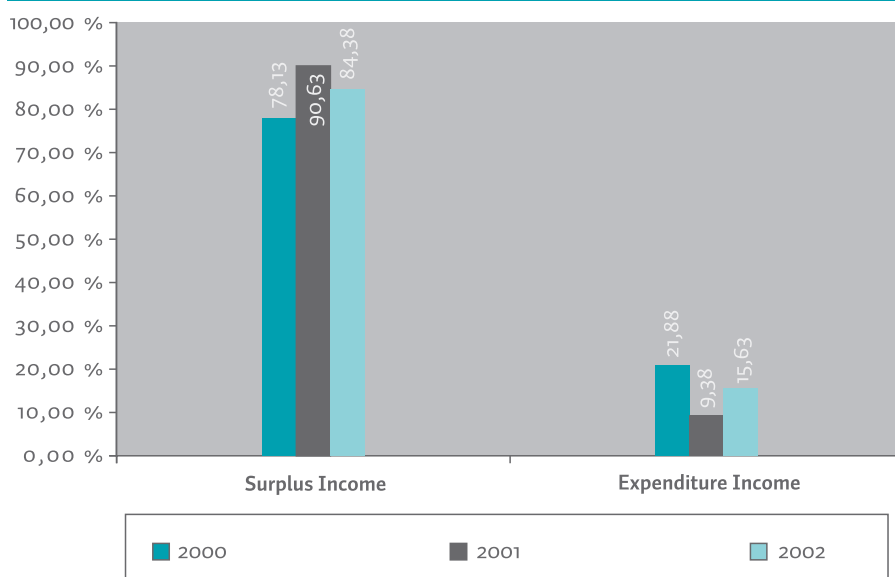
**TABLE 24. DISTRIBUTION OF PUBLIC FOUNDATIONS ACCORDING TO INCOME AND EXPENSE**

	2000	%	2001	%	2002	%
Surplus Income	25	78,13%	29	90,63%	27	84,38%
Expenditure Income	7	21,88%	3	9,38%	5	15,63%
Total	32	100,00%	32	100,00%	32	100,00%

**L. Comparative Analysis of Activity Results of Public and Private Foundations**

When Table 24 is examined, one sees that of the 32 public foundations, 7 of them in 2000, 3 of them in 2001 and 5 of them in 2002 ended the fiscal year with excess expense. In other words, they suffered a loss.

**FIGURE 11. DISTRIBUTION OF STATE FOUNDATIONS ACCORDING TO OPERATIONS**



**TABLE 25. DISTRIBUTION OF PRIVATE FOUNDATIONS ACCORDING TO OPERATION OUTCOMES**

	2000	%	2001	%	2002	%
Surplus Revenue	76	73,79%	88	85,44%	83	80,58%
Surplus Expenditure	27	26,21%	15	14,56%	20	19,42%
Total	103	100,00%	103	100,00%	103	100,00%

Meanwhile, of the 103 private foundations, 27 in 2000, 15 in 2001, and 20 in 2002 ended the year with loss. As the figures show, the number and the ratio of those in loss are greater for private foundations than for public foundations.

### M. The Effects of Inflation

- Inflation is a critical factor in the erosion of foundation equity capital

Inflation has the most significant impact on the equity capital of foundations. In an inflationary environment, businesses cannot protect their equity capital in terms of its buying power, leading to its erosion. Due to sustained high inflation in Turkey over the last thirty years, like other businesses foundations have also been negatively affected.

To assess the effects of inflation on the equity capital and revenue of

foundations, the following formula was used:

$$\text{The rate of Real Growth in Equity Capital or Revenue} = \frac{(1 - \text{Nominal Growth Rate})}{(1 + \text{Inflation Rate})^*}$$

### i) The Effect of Inflation on Equity Capital

- Small foundations become even smaller due to inflation.

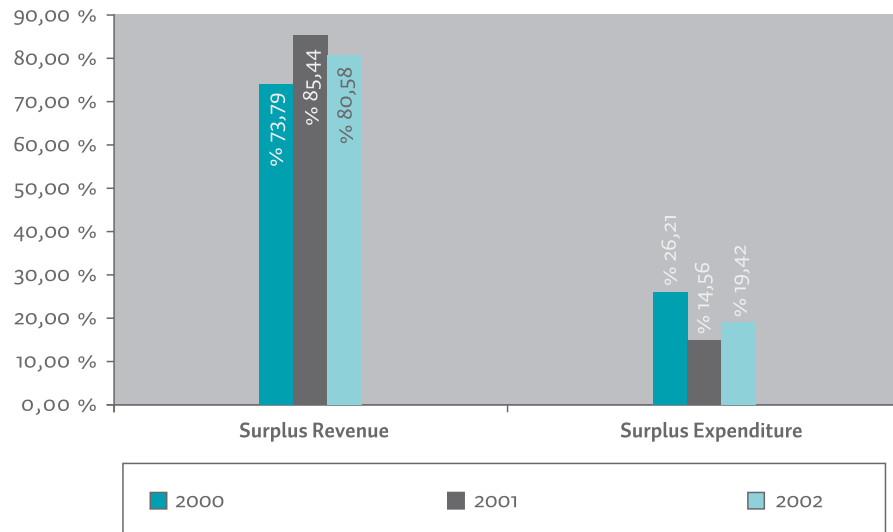
The nominal and real growth rates in equity capital are presented in Tables 26, 27 and 28.

**TABLE 26. EFFECT OF INFLATION ON EQUITY CAPITAL**

	2000-2001	2001-2002
Nominal Growth	66,77%	41,78%
Real Growth	-11,61%	8,33%

\* CPI is taken as the inflation rate. These rates are 88.6% for 2001 and 30.8% for 2002.

**FIGURE 12. DISTRIBUTION OF PRIVATE FOUNDATIONS ACCORDING TO OPERATION OUTCOMES**



**TABLE 27. EFFECTS OF INFLATION ON EQUITY CAPITAL OF PRIVATE FOUNDATIONS**

	2000-2001	2001-2002
Nominal Growth	8,90%	39,96%
Real Growth	0,21%	6,96%

**TABLE 28. EFFECTS OF INFLATION ON EQUITY CAPITAL OF PRIVATE FOUNDATIONS**

	2000-2001	2001-2002
Nominal Growth	80,48%	45,04%
Real Growth	-4,35%	10,86%

**TABLE 29. EFFECTS OF INFLATION ON FOUNDATION REVENUES**

	2000-2001	2001-2002
Nominal Growth	56,29%	14,16%
Real Growth	-17,18%	-12,77%

**TABLE 30. EFFECTS OF INFLATION ON PUBLIC FOUNDATION REVENUES**

	2000-2001	2001-2002
Nominal Growth	76,83%	26,56%
Real Growth	-6,26%	-3,29%

As seen in Table 26, for the 135 foundations included in this research, the nominal growth rate is 66.7 % in 2000-2001 and 41.7% in 2001-2002. However, when inflation is factored in, the real growth rates are -11.6% in 2000-2001 and 8.3 % in 2001-2002. These data show that the equity capital of 135 foundations decreased by 11.6% in the period 2000-2001.

When this analysis is made separately for public and private foundations, the following results emerge: the real growth rates for public foundations are 0.2% in 2000-2001, and 6.9% in 2001-2002, leading one to believe that public foundations have protected themselves better against inflation.

In private foundations, the real growth rate was -4.3% in 2000-2001 and 10.8% in 2001-2002. Thus, the equity capital of private foundations lost -4.35 % of their value in 2000-2001 and became smaller.

**ii) The Effect of Inflation on Revenues**

The effect of inflation on revenues is presented in a detailed and striking fashion in Tables 29, 30 and 31.

As seen in Table 29, real revenue growth for 135 foundations was -



17.18% in 2000-2001, and -12.77% in 2001-2002. This table shows that in an inflationary environment, the revenues of foundations became less in real terms.

Table 30, meanwhile, shows the effects of inflation on the revenues of public foundations. The revenues of public foundations also decreased.

Table 31 shows the decrease in real terms in the revenues of private foundations. The real decrease is -27.09% in 2000-2001 and -5.20% in 2001-2002. The effect of inflation on revenues is greater for private foundations than for public foundations.

## N. Donations and Aid

- The ratio of donation and aid to tax revenues is 2.5 per thousand, and its ratio to GNP is 5 per thousand.

Tax revenues, comprised of the sum of Income Tax and Corporate Income Tax, along GNP figures are presented in Table 32, with the relationship between tax revenues and GNP with donation and aid revenues being shown in Tables 33, 34 and 35.

As seen in Table 33, donation and aid revenues of the 135 foundations included in the research amounted to 60 trillion in 2000, 107 trillion in 2001 and 150 trillion in 2002. When taken as a proportion of tax revenues, the ratio of donation and aid to tax revenues is 0.22% in 2000, 0.26% in 2001 and 0.25% in 2002. The ratio of donation and aid revenues to GDP is 0.004% in 2000, 0.06% in 2001 and 0.05% in 2002.

Table 34 shows the ratio of donation and aid to tax revenues and GDP for public foundations. Public foundation donation and aid total 38 trillion in 2000, 72 trillion in 2001 and 112 trillion in 2002. As discussed above, donations to the public sector generally consists of mandatory donations. The ratio of these to tax revenues is 0.14% in 2000, and 0.18% in 2001 and 2002. The ratio of aid and donation to GDP is 0.03% in 2000 and

**TABLE 31. EFFECT OF INFLATION ON PRIVATE FOUNDATION REVENUES**

	2000-2001	2001-2002
Nominal Growth	37,56%	-2,49%
Real Growth	-27,09%	-5,20%

**TABLE 32. TAX REVENUES AND GNP**

	2000	2001	2002
Tax Revenues and GNP	26.503.698.000	39.735.928.000	59.631.868.000
GNP	125.596.129.000	176.483.933.000	271.406.000.000

**TABLE 33. DONATION AND AID TO FOUNDATIONS / TAX REVENUES AND GNP**

	2000	2001	2002
Donation and Aid	60.122.455 TL	107.196.183 TL	150.210.669 TL
Donation and Aid / Tax Revenues	0,2268%	0,2698%	0,2519%
Donation and Aid / GNP	0,0479%	0,0607%	0,0553%

**TABLE 34. DONATION AND AID TO PUBLIC FOUNDATIONS / TAX REVENUES**

	2000	2001	2002
Donation and Aid	38.420.801 TL	72.260.949 TL	112.101.599 TL
Donation and Aid / Tax Revenues	0,1450%	0,1819%	0,1880%
Donation and Aid / GNP	0,0306%	0,0409%	0,0413%

**TABLE 35. DONATION AND AID TO PRIVATE FOUNDATIONS / TAX REVENUES AND GNP**

	2000	2001	2002
Donation and Aid	21.942.808 TL	35.409.678 TL	38.502.709 TL
Donation and Aid / Tax Revenues	0,0828%	0,0891%	0,0646%
Donation and Aid / GNP	0,0175%	0,0201%	0,0142%

0.04% in 2001 and 2002.

Table 35 shows the ratio of donation and aid revenues of the 103 private foundations to tax revenues and to the GDP. The aid and donation revenue of 103 private foundations is 21 trillion in 2000, 35 trillion in 2001 and 38 trillion in

2002. When these figures are taken as a proportion of tax revenues, the ratio of donation and aid to tax revenues is 0.08% in 2001, and 0.06% in 2002. The ratio of donation and aid to GDP is 0.01% in 2000, 0.02% in 2001 and 0.01% in 2002. These results show clearly that the share of donations and aid to total tax revenues is extremely low for both public and private foundations. Contrary to the claims of some circles, a large tax loss simply does not exist.

### O. Relations of Foundations with Institutional Sectors

- **The relationship of foundations to households is weak, there is no state support, and the organized donation sector is small.**

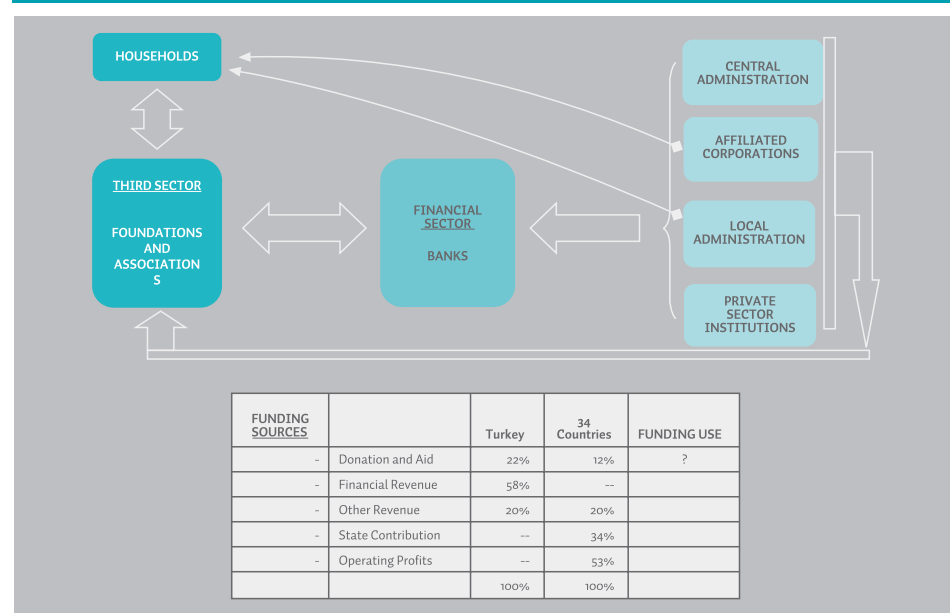
Relations of foundations, as members of the third sector, to other institutional sectors such as households, the financial sector, central administration, local administration and private sector institutions (companies) are presented in Figure 13.

Being part of the third sector, the primary funding sources of foundations are revenues obtained from investments in the financial sector and donation

from households and private sector institutions. There is no state contribution. Operating profits and rent revenue is minimal. With such a revenue structure, the “organized donation sector” is an extremely small one, whereas in 34 other countries, the primary funding source of the third sector is constituted of operating profits, state contribution and other revenues in order of size. The contribution of donation and aid is approximately 12%. These results show that foundations continue their existence with profits accrued from commodity and service production and contributions from the state. Since the existing accounting and reporting system does not provide enough information concerning how the revenues are used and their distribution according to sectors, it is not possible to carry out any further analysis and evaluation.

In Turkey though, rather than supporting the third sector on the institutional level, the state tries to exploit household donations through programs such as the 100% support for education campaign, representing the flawed approach and strategy of the state towards foundations. Such strategies can

**FIGURE 13. RELATIONSHIP BETWEEN FOUNDATIONS AND OTHER SECTORS**



only bring a temporary solution to the financing problem of the public sector, while in the long term such a policy is detrimental to the development of the philanthropic sector. Under current regulations, the public administration gives a 100% tax discount to households to create a disorganized philanthropic sector, while deeming suitable a tax discount of 5% for the foundations that constitute the organized sector.

### III. Conclusions and Suggestions

The findings and the recommendations resulting from the above research are summarized below:

- The strategy of dealing separately with old and new foundations is a correct one and must be continued in future regulations. Regulations having to do with old and new foundations must be taken up separately.
- The structure of existing foundations in Turkey does not fit the criteria initially set out within the concept of foundations. In particular, criteria related to property ownership and public sector affiliation must be strongly taken up by future regulations.
- Presently, foundations have a structure that is highly dependent on financial markets, leaving them vulnerable to fluctuations in financial markets due to the fact that a large part of their investments is constituted by bank accounts while profit-making immovable property investments are extremely minimal.
- The results of Pareto analyses show clearly that there are great differences between foundations. A few foundations own most of the total property owned by foundations. In other words, a great majority of foundations own meager amounts of property, contrary to the philosophy that foundations should be institutions endowed with property. It

is impossible to realize bold objectives with a small amount of property. In future regulations, foundations remaining below a certain limit should revert to the status of an association.

- Foundation properties have lost considerable value due to inflation. As non-monetary property is shown in existing balance sheets at the value of the time of its entry, the numbers do not reflect the real value. Therefore, an inflation adjusted accounting system is necessary for foundations, as it is for companies.
- Tax regulations that encourage and develop the third sector as an institutional and organized sector are needed.
- An accounting and reporting system meeting international standards must be instituted to be able to make healthy analyses and evaluations of the foundation sector.

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