EXTERNAL CHURCH FINANCING BY FUNDING

Mike Blankenberg

DOI: https://doi.org/10.31410/ERAZ.2020.287

Abstract: The present paper provides an overview of the situation of church bodies when dealing with subsidies. The starting position and topicality of this topic has been the subject of intense debate in the media and in the political sphere, also for church sector for some time. A look at the figures shows that numerous funding programmes from EU, federal and/or state programmes could well be eligible for church bodies, but that the funds provided are rarely or never called up. The problems lie in the complexity of the funding programmes and the respective guidelines and extend right into the organisational structures of the spartan church administration. A glance at the federal government’s funding database shows the importance of the topic. Tight budgets due to declining church tax revenues, lack of personnel capacities, demographic conditions are inhibiting factors in funding management on the part of church administrations.

Keywords: Subsidies, Church management, Monetary donation, Church tax.

1 INTRODUCTION

The loss of members confronting both the Roman Catholic Church and the Protestant Church in Germany (EKD) is worrying. Moreover, as previous studies have shown, this trend will continue to intensify. Therefore, innovative approaches are needed on the part of the churches to overcome the financial challenges posed by falling church tax revenues. Promising in this context are strategies and instruments from the field of fundraising. What is meant here, however, is not only the acquisition of donations for manageable church projects, but also for investment measures in the strategic acquisition of building subsidies. The budget position of churches has an important responsibility for these, especially as one of the largest real estate holdings in the Federal Republic of Germany; this can be a supporting pillar of financing for the churches. This sub-sector of the economy offers a variety of approaches to provide innovative ways of financing.

The present paper consists of two thematic areas. First, a presentation is made around an overview of contents relevant to funding. The main part of this elaboration focuses on the insights gained from examples of successfully funded church projects and the application of further areas of application for church areas.

2 CURRENT DEVELOPMENTS IN THE FINANCIAL ENVIRONMENT

This paper deals with the issue of external financing for church bodies through subsidies. It examines the potential, possibilities and practical examples of success of the Evangelical Lutheran Church in Germany. Further examples, of other church organisations such as the Catholic Church, are not mentioned, but in the end these findings are transferable to other religious communities. The churches can act as providers of funds, e.g. for funding associations, or other church communities as recipients of funds, e.g. for community development or building renova-
tion. This paper focuses on the churches as recipients of subsidies. For many of those involved, calling up and applying for funding is a bureaucratic burden. A lack of knowledge about funding regulations and the lack of transparency in funding possibilities make it difficult to actively obtain funding, although these funds represent an opportunity for church congregations and their community work in social areas.

a. Initial situation and topicality of the topic

Subsidies are part of government grants and are intended to trigger certain public purposes and political or economic objectives. They can be designated for companies, state agencies, e.g. local authorities, other organisations such as parishes or church administration centres, or private individuals. However, they are only granted under certain conditions and upon application.

There is also a high number of different investment efforts and provided funds in the church sector. In practice, however, these opportunities are often not used (Schäuble, 2016). This problem is a result of high bureaucratic hurdles and a lack of human resources due to a lack of planning capacities and feasible projects. Capacity for planning procedures should therefore be included in budget planning. As a first insight it can be stated that the lack of planning capacities, in the church area chances are missed.

Further reports from the daily media of the past months and years show that a number of support programmes and unused sums are mentioned.

Particularly in the municipal sector, the area of nationwide broadband expansion, the national climate protection initiative and the most significant area for sustainable housing for students and trainees are mentioned here. The project is intended to respond to the explosive demand for suitable housing and to expand the supply, especially in university locations. Other federal investment programmes, e.g. in the social sectors, are facing similar problems.

The topicality of the topic is ensured by further reporting (Compare Landesrechnungshof NRW: Jahresbericht 2011) which reports on the unused funding from local authorities. The Minister of Building and Local Government of the example chosen in this report confirmed that a total of EUR 500 million is available for the „Gute Schule 2020“ support programme for school modernisation, but that not even a quarter had been applied for by August 2017. The situation is similar with the Municipal Investment Promotion Act II, in which the municipalities, in this case in Schleswig-Holstein, are being provided with further millions of euros. The amount of funds requested is in the marginal range. Here, too, the insufficient call for funds is justified by a lack of capacity in the municipalities, which has been exacerbated in recent years by the shifting of planning processes to external companies. The coordination and control effort, especially in allocation processes, is enormous. In addition, the subsidies spent in the construction and handicraft sectors trigger a demand overhang, which is reflected in higher prices and full capacity utilisation of the companies.

The challenges lie on both the donor and the recipient side. The application for subsidies presents potential applicants with problems that are inevitably associated with overregulation and considerable bureaucratic effort. When talking about subsidies, the associated administrative effort is often immediately a central issue. Likewise, the cost-benefit ratio is a critical comment without first examining or justifying it. A negative attitude towards subsidies is present.
b. Aim of this topic and this paper

The core questions of this elaboration deal with how not the frequently considered municipal institutions but rather church institutions are currently dealing with the topic of subsidies (current situation) and what opportunities exist to find an effective chance from this topic in order to counteract the challenges posed by the financial impairments using the example of church tax but also by the demographic changes due to the decrease in church members.

It is also important to know where and what subsidies are available for church institutions and who, despite being eligible, has a real chance of receiving a subsidy. Is it possibly necessary to integrate a „central funding management” into the administrative structure?

3 EXTERNAL CHURCH FINANCING WITH SUBSIDIES

a. Classification and meaning of subsidies

i. Types of funding

Grants can be awarded in several ways. A distinction is made by the VV No. 2 to § 23 BHO, which is also of practical relevance. A distinction is made between project funding and institutional funding.

ii. Project Funding

According to the above definition, project grants are grants to cover expenditure incurred by the beneficiary on individual identified projects. From a differentiated point of view, project funding is a precisely defined, objectively delimited, limited in time and not having any effect on the assets. The factual and temporal limitation of the funding are elementary conditions (Compare. KGSt, Fördercontrolling, 2017, p 15.) Projects may also be eligible for funding on a multi-annual basis and may be extended over the initial period. If this is the case or if there is an additional financial requirement, follow-up funding is required and must also be approved in a follow-up application (Compare Dittrich, 2017, § 23 Erl. 7.1 Nr. 2). Project funding focuses on the project with a linked objective. Therefore, the time span, i.e. the beginning and end, as well as the clearly defined funding focus must be defined in advance.

The General Auxiliary Terms and Conditions for Project Funding (ANBest-P) contain provisions which are equipped with the necessary explanations.

A financing plan (No. 1.2 ANBest-P) or a preliminary cost estimate (No. 1.2 ANBest-P costs) are a basic requirement for approval. The ANBest-P costs apply to project funding for commercial enterprises on a cost basis and include all costs directly incurred by the project. For municipalities or local authorities, the ANbest G or ANbest KK, which are based on an expenditure basis, apply for the most part. With regard to applicability, the respective state-church agreement between church corporations and the respective federal state is decisive. The collateral clauses help the applicant to present the legal requirements.

The list of provisions, however, shows the complexity of the funding guidelines. Project funding is flexible in the choice of subject areas and different target groups, such as companies, public
institutions or private individuals. However, the time limits of the projects are challenging. The aim of project funding is to initiate developments and changes that are in the interest of the funding body, and ultimately the legislator and voters, and to stabilise the results in the long term. However, the project characteristics stand in the way of this.

### iii. Institutional Funding

In the VV to § 23 BHO, institutional funding is understood as a grant to cover all or an unspecified part of the expenses of the recipient. It, therefore, does not refer to individual projects, but to the institution or grant recipient as such. In the narrower sense, this includes fixed social institutions such as authorities, courts, universities or schools. In addition, associations, clubs, initiatives or other organisations as well as church institutions which shape local community life in a special way can also be seen as institutions. These often safeguard special needs or take over public tasks that would otherwise possibly be performed by the public administration (KGSt, Fördercontrolling, 2017, p. 14). The tasks of institutionally funded grant recipients are generally designed for the longer term. Accordingly, the granting of institutional funding over a longer period of time will also result in a longer period of time, even if approval was only granted for the financial year in which the application was submitted.

The basis for approval is laid down in the General Auxiliary Conditions for Grants for Institutional Funding (ANBest-I). Similarly, a binding budget and economic plan, including a conceptual design, is required.

Without institutional funding, many institutions would cease to fulfil their tasks. The focus here is on the general benefit to society or the task of providing services of general interest, which the organisations take over from the state to a certain extent. However, it is precisely this institutional support that provides an opportunity for financially ailing corporations to continue to implement projects. Successful examples are presented in the following chapters.

### b. Types of Financing

The subsidies are granted in different ways as financing. The type depends on the interest of the funding provider and the purpose of the grant.

#### i. Grants

Grants are most effective for the beneficiary as they are spent as non-refundable grants and therefore represent a real gain for the budget. At the same time, however, they are linked to conditions for fulfilling the purpose of the grant. Any deviation from or failure to fulfil the purpose of the grant will result in repayment plus interest. These grants usually represent only a part of the financing; the complementary funds are to be raised by the applicant from their own resources or from other financing partners. A grant can be awarded in three ways.

#### ii. Fixed-Rated Financing

The fixed amount financing is an unchangeable amount, which can also be identical for other beneficiaries. The own contribution is variable. A further subsidy through donations, for exam-
ple, is not detrimental to the amount of the grant. A frequent example are events where a subsidy is granted per person (KGSt, Fördercontrolling, 2017, p. 17)

### iii. Deficit Funding

The deficit financing quantifies the grant according to the financing delta from existing own funds and total investment requirements. This is particularly suitable for subsidised projects that cannot be implemented due to a lack of complementary funds. The defined funding purpose can only be achieved with a certain fixed amount (Wruck, 2012, p. 34.). The shortfall financing promises to be interesting for financially weak church bodies, because these can often only raise a small amount of their own funds or none at all.

c. Funding participants as funding bodies

All state institutions as public administration bodies are eligible to issue grants. According to German law, the public administration bodies are legal entities under public law, such as the Federal Government, the Länder and local authorities as well as other public corporations and institutions (Götz, 1966, p. 29). The term „public administration“ has so far been generally open. The principle of separation of powers under Article 20 supports the definition of the term here. In the negative definition, this is the official activity (executive) carried out within the framework of the separation of powers, which is neither legislation nor jurisdiction (Gabler Wirtschaftslexikon, topic: Verwaltung). The Basic Law defines the system and the rules (Art. 87 – 89 GG (Bund); Art. 30 GG (Länder); Art. 28 Abs. 2 GG (Kommunen). Federal and state subsidies are developed in-house and are also approved by the responsible authorities after the application has been submitted. However, subsidies can also be awarded by private or semi-public bodies, such as the project management agency (Projektträger Jülich, 2020) Jülich named.

The European Union is also involved as a sponsor in various programmes. To describe these in detail is beyond the scope of this paper. In the section of the successful examples, explanations are given for the respective applied programmes.

d. Participants in the funding as funding recipients

The respective funding programme determines who may be eligible to apply. In principle, all natural and legal persons can be eligible as recipients. The main obligation of the recipient is to use the funding in a defined manner. In addition, there is a secondary obligation to prove that the funds are used for the intended purpose (Henke, 1979, p. 239-241). The use of complementary funds by the beneficiaries means that the risk is not only on the side of the donors. This means that the purpose of the subsidy can be expected to be achieved and the subsidies used economically (Wruck, 2012, p. 53).

e. Importance of support programmes

The importance of funding programmes is estimated by various sources in different funding programmes in Germany at 1,500 to 2,000, which target different individuals, companies, institutions or regions (Betz, 2015. p. 13.). The funding databases take into account the European Union, the federal government and the federal states as funding providers (three levels). Other
f. Fields of application for church institutions

It is not very purposeful to list in this elaboration all imaginable possible fields of application for church institutions. On the one hand, this is due to the different circumstances and regional peculiarities. For example, support programmes of the Joint Task for the Improvement of Agricultural Structure and Coastal Protection certainly offer numerous possibilities which are also possible for church institutions, provided that they correspond to the territorial requirements, in this case, coastal regions. Therefore, this programme, which is interesting for rural regions because of its focus, is irrelevant for non-coastal regions.

Figure 1. Cross-border cooperation with German participation

Source: www.interreg.de (accessed on June 15, 2020)
This example becomes even clearer with the help of support programmes of the InterReg zones. Here, funding programmes are clustered in respective funding regions, which is intended to promote cross-border cooperation and is therefore not generally possible. The following diagram shows these zones of cooperation and, above all, the zones of the non-assisted regions within the framework of InterReg on (Bundesinstitut für Bau-, Stadt- und Raumforschung, Interreg).

Other funding programmes require equal participation of the respective federal state in the amount of funding. Depending on their constitution and the legal agreement between the respective states and churches, state participation may be partially excluded. For this reason, the eligible applicant must also reckon with too much variation in funding support depending on the federal state - despite otherwise equal conditions.

So far, these examples show that a general overview with a generally valid presentation does not appear to be appropriate and is therefore dispensable at this point. For the purpose of this paper, successful examples of church corporations that have received funding are therefore described and analysed with regard to the funding programmes.

4 CONCLUSION

In this paper, some examples, albeit with a regional reference in Northern Germany, have been given. This could be extended at will to other regions of the Federal Republic of Germany and partly to the European area.

It is noticeable that up to now mainly fundraising and donations or grants from individuals for church corporations constituted the core of the financing. Due to a dynamic in the willingness to donate in the amount and according to the objective of the donations, this is not a safe bank for complex financing projects.

The previous support by the regional church levels has not been sufficiently impulsive. Support from external consultants has already proved to be effective in some areas, but it is also true that local connections and networks are valuable guarantees for the realisation of complex projects with all the criteria of the funding authorities.

The fact that the church has many purposes of the funding landscape is obvious. With sensible and goal-oriented considerations, extensions are useful here, which will too often correspond to the core of the funding criteria. Thus, it is goal-oriented for all those involved: for the Church, there cannot be lost sight of financial support in times of tight budgets and financial and demographic developments. For the public in the focus of services of general interest, it is more than just a valuable, vicarious agent of politics and civil interests for funding providers. Due to its leading voluntary commitment and social involvement in all areas and the still very high church membership, the church is a welcome and serious funding actor.

Looking ahead, it remains to be seen that individual church administrations with an innovative approach are taking this expertise into office or buying it and going down these paths, but so far, too few have done so. In the future, it is to be expected that this might become more, which could certainly highlight a competition among the applicants for funding and the realised projects might then in future also gain higher class.
REFERENCES


https://schleswig-holstein.de/DE/Landesregierung/III/_startseite/Artikel_2019/Mai_19/190508_neulandhalle.html Accessed on 11.06.2020


KGSt (Hrsg.) (2017): Fördercontrolling - Kommunale Zuschüsse zukunftsfähig gestalten, KGSt-Bericht 02/2017, Köln.


