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The 2022 Global Philanthropy Environment Index

Region Report: Western Europe

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SUMMARY

Despite COVID-19, only a few changes have been reported from the nine Western European countries. Basically, the environment remained stable and favorable for philanthropy. Legal frameworks are predictable, as is politics in most countries. Minor changes in tax law both for philanthropic organizations (POs) and donors even improved the situation for POs. Within the EU, there is an intensive collaboration between the public sector and POs. In particular, Austria, Belgium, France, Germany, the Netherlands, and Switzerland can still be characterized as corporatist regimes with a strong and stable axis between POs and the public sector. In the UK and in Ireland, POs have always established a strong and autonomous position as actors.

Challenges will arise, however, from the need for social innovation and change, and traditional POs facing new actors such as social entrepreneurs, public agencies, and funds. Nevertheless, the future of the political and cultural environment is uncertain. Right wing populists have gained remarkable strength in the electorates of Austria, Belgium, France, the Netherlands, Switzerland, and even in Germany, but at a lower level.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Stable	Stable – slightly positive	Stable	Stable – slightly negative	Stable – slightly negative	Mixed	Stable

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

KEY FINDINGS

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

To what extent can individuals form and incorporate the organizations defined?

- Freedom of association is guaranteed in all Western European countries.
- Founding associations is quite easy and inexpensive.
- Other legal forms (foundations, limited liability companies, and cooperatives among others) need more financial resources.

To what extent are POs free to operate without excessive government interference?

- There is no considerable government interference.

To what extent is there government discretion in shutting down POs?

- Governments at any level are only permitted to shut down POs in very rare and legally, clearly defined situations.
- Abuse control of POs by public authorities is strictly regulated.

II. Domestic Tax and Fiscal Issues

To what extent is the tax system favorable to making charitable donations?

To what extent is the tax system favorable to POs in receiving charitable donations?

- In Western Europe, charitable giving to POs is privileged. There are different limitations for donors, such as the tax deductibility is limited to 10-20 percent of the taxable income.
- Ireland has a specific system, where POs benefit directly from individuals' tax returns.
- Charitable donations by business corporations are also deductible up to a specific limit.
- POs are favored, enjoying total relief from corporate tax in most countries, depending on whether the respective public authorities – tax lists, registries – approve their status as charities or public benefit organizations.
- In some countries, POs also benefit from relief in property taxes and even in VAT.

III. Cross-Border Philanthropic Flows

To what extent is the legal regulatory environment favorable to sending cross-border donations?

- Legal regulations for sending cross-border donations are very similar across Western European countries. In most cases, tax benefits are granted to the donor.
- None of the Western European region countries' cross-border donations are taxed, subject to additional charges, or subject to approval. The only restrictions on cross-border donations stem from general restrictions on cross-border financial flows to prevent the financing of terrorism or money laundering.

- Across all countries (except Switzerland) the same tax benefits are granted for cross-border donations as for national donations if the beneficiary organization is based in a European Union (EU) or European Economic Area (EEA) country, as prescribed by the so-called "comparability approach" under EU law. These tax benefits do not apply to donations to beneficiary organizations outside the EEA, although there are exceptions.
- In Switzerland, cross-border donations are not eligible for tax incentives, since it is not a member of the EEA.

To what extent is the legal regulatory environment favorable to receiving cross-border donations?

- None of the countries restrict the receipt of cross-border donations, except for those restrictions that relate to the financing of terrorism or money laundering.
- An exception to this is Ireland, where the acceptance of "foreign donations" for political purposes, including activities related to advocacy, is restricted. In those cases, the beneficiaries must return the donation to the donor.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

To what extent are public policies and practices favorable for philanthropy?

- There is a history of intense collaboration between POs and government in most Western European countries.
- The political environment is very liberal toward POs in all Western European countries. In some countries, such as Austria, Belgium, and France, there are currently additional efforts to support POs.
- Overall, POs are recognized as independent social change agents, but there have been tendencies of limiting political activities of POs or restricting the activity of politically unfavorable POs in some countries, such as Austria, Germany, and the United Kingdom.
- In countries, such as Ireland and the United Kingdom, spending cuts in public budgets and new forms of contracts between POs and governments make POs increasingly dependent on non-governmental sources of funding.
- Tax deduction schemes for donations to POs are present in most countries.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- COVID-19 is currently the most important economic factor in all countries; resilience of POs depends very much on how extensively POs were financially supported by the government and how COVID-19 changed donations and volunteering by individuals.
- COVID-19 creates a higher demand for POs in many countries. Poverty and inequality are rising and might lead to serious social crises in the near future.
- Corruption is not an issue in most countries in Western Europe.

VI. Socio-Cultural Environment

To what extent are socio-cultural values and practices favorable for philanthropy?

- In some countries, such as Austria and Belgium, philanthropy is seen only as a complement to government whereas others, including Ireland, the Netherlands, and the United Kingdom, have a much stronger philanthropic tradition independent from governmental activities.
- Austria experienced negative publicity toward POs (Austria); and the Netherlands reported a declining level of trust in POs.
- In France and in Switzerland, corporate philanthropy and new forms of philanthropy are on the rise.
- All countries in the region (except Ireland) growth of the philanthropic sector was reported overall.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- Digitalization in all variations: digital innovation, online fundraising, digital crowdfunding
- Social Entrepreneurship (social enterprises (SE), social businesses (SB), social investors (SI) gains prominence, moving towards more commercial activities, and higher number of entities in the PO sector.
- New forms of funding are needed and emerging, often referred as “Impact Investing” (also social impact bond (SIBs) and development impact bonds (DIBs).

Key recommendations to improve the environment for philanthropy in the region

- Further professionalization in the sector, including trainings and education.
- Further establishing and improving registers (and databases) in the philanthropy and nonprofit sector, which will lead to improved transparency, better recognition of the sector and more visibility. It also supports the clarification of nonprofit/charitable status among organizations.
- Improvement of the financial stability of POs, such as improving the status of reserves.

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

- Immediate and important role in supporting beneficiaries and vulnerable groups in a variety of fields: health, social services, domestic violence and others
- Creation of new charities and social services
- Vital part of the response to the COVID-19 crisis, especially in identifying vulnerable groups

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

- Digitalization, such as online fundraising, giving, online services, and intra-organizational digitalization
- More flexibility on the part of POs in supporting their beneficiaries as funders become more agile and flexible, and grant requirements become more flexible and less bureaucratic
- Public COVID-19 support funds for nonprofit sectors and POs

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

- Stable or often increasing amount of private donations
- Challenging financial situation as a significant number of POs are suffering from the financial impact of the pandemic

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

- In general, it is too early to see the anticipated impact of the pandemic.
- However, a decline of reserves, social unrest and challenges, and increasing demands in certain fields such as mental health, education, and unemployment are likely to affect the philanthropic environment.
- Higher demands for services and support on the part of POs is also anticipated.