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## The 2022 Global Philanthropy Environment Index Albania

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### QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Cooperative, Center

**Five main social issues addressed by these organizations:** Basic Needs, Environment, Human Rights, Youth and Family, Democracy and Rule of Law

**Average time established by law to register a philanthropic organization:** 31-60 days

**Average cost for registering a philanthropic organization:** USD 650

The total cost of registration consists of notary cost, which is a set amount of about USD 325 and the legal services which vary from city to city. The legal services in Tirana start at USD 325. During 2020, in many cases the registration time went beyond 15 days as established by the law. This was due to closing of Tirana Court of First Instance for about two and a half months because of the COVID-19 pandemic. The Court was handling only "high priority" cases.

**Government levels primarily regulating the incorporation of philanthropic organizations:** Tirana Court of First Instance

### Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	3.60	2.40	3.00	3.25	3.00	3.50	3.13
2018 GPEI	4.23	2.40	2.00	3.45	N.A.	3.50	3.12

**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)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

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

<b>Score: 3.5</b>
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The legal framework has not changed since 2018. The only changes observed are in decision making delays of Tirana First Court of Instance due to COVID-19 restrictions, which have impacted registration and operations of philanthropic organizations (POs). For more information, please see the 2018 Albania Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15998>

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

<b>Score: 2.8</b>
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The legal framework and requirements as of 2018 are still valid. In addition, there are changes in the Law 25/2018 on Accounting and Financial Statements, which requires POs with a value of total assets or income over ALL 30 million (approximately USD 297,000) to publish a performance report on their website. The format of the report is established through a sublegal act and is very rigid and extensive in the requirements for information. Such report is usually an accountability instrument used for POs funded by public funding, which is not the case with this law. The criteria for reporting is only the annual budget, not the source of funding. In addition, the requirement disregards any other transparency channels used by the sector, such as the annual report of the PO. As such, it is considered as overburdening.

The same POs are required to submit their financial statements with Tirana District Court in addition to the Tax Office. It introduces an unjustified duplication of reporting, especially when the courts do not have an institutional mandate to manage and use this kind of information.

In 2019, Law No. 33/2019 on For Some Changes and Additions to the Law No. 9917, 2008 on Prevention of Money Laundry and Financing of Terrorism was introduced, along with Instruction No.19 (September 7, 2019) on For the Supervision of the Non for Profit Organizations in the Function of Money Laundering and Financing of Terrorism. They regulate the inspection and oversighting procedures to be followed by tax authorities when examining the nonprofit sector with regard to risks for money laundering and financing of terrorism. The entire nonprofit sector is considered at risk for both practices, and a proper risk assessment methodology is needed in order not to impede the independence and operations of POs because of overregulated state control.

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

**Score: 4.5**

There are changes introduced in 2018 regarding voluntary de-registration of POs, as part of Law No. 97/2018 on For Some Changes and Amendments to the Law on Tax Procedures in the Republic of Albania. Based on these amendments, a PO may be de-registered with the court only when a respective regional tax office confirms that there are no pending obligations. If pending obligations are discovered after de-registration with the court, the PO's legal representative is held accountable, and the tax authority may collect the obligations by force. For more information, please see the 2018 Albania Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15998>

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

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

**Score: 2.0**

According to the Law on Income Tax, amended in 2019, when a natural disaster emergency is declared, any monetary or immovable property donation is subject of 5 percent deduction of profit before tax. In any case, these donations qualify for deduction only when disbursed to the state treasury and not to a PO. There are changes in the legal framework for sponsorship, introduced by the Order of the Minister of Finance, No. 15 (April 3, 2020) on Some Amendments and Changes in the Order No. 5 (January 30, 2006) on Tax on Income, Amended. According to the Order, taxpayers with physical or legal personality, which are subject of income tax, are allowed to deduct sponsorships up to 3 percent of the profit before tax as expenses. For sponsorships in literature, scientific, encyclopedic publications and cultural, artistic and sportive activity, the sponsorship is recognized as a deductible expense up to 5 percent of profit before tax. The sponsorships made to sport clubs by juridical persons with profit over ALL 100 million (USD 971,000) will be deducted for tax purposes at three times the value of the actual sponsorship. In order to be entitled to tax deduction, the sponsor should obtain the Sponsorship Authorization issued by the General Director of Tax, according to a procedure and set of binding documents stipulated in the same Ministerial Order.

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

**Score: 2.8**

The legal framework remains the same. The only change is the implementation of a new formula in calculating the property tax. POs are subject to property tax which is calculated the same way as for any other commercial activity. The tax according to the law is calculated based on the property reference price per square meter, multiplied by  $m^2 \cdot 0.2 \cdot 2$ . The property reference price varies across the country, depending on the location of the property and determined by the government. For example, for a property around 150m<sup>2</sup>, a PO must pay about USD 1,000.

For more information, please see the 2018 Albania Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15998>

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

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

<b>Score: 2.0</b>
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There are no restrictions to cross-border donations. While the tax treatment remains the same, there are new developments in the regulatory framework introduced mainly for the sake of anti-money laundering and countering the financing of terrorism (AML and CFT). The Minister of Finance and Economy Order No. 19 (July 9, 2019) regulates the procedures to be observed by the tax authorities in monitoring the activity of POs, in order to avoid their use for money laundering and financing of terrorism (ML and FT). As part of 38 risk indicators, there are specific ones addressing POs working, getting, and/or sending funding to countries suspected of ML and FT. Such POs are subject of careful monitoring and supervision. All the bank transactions higher than approximately USD 9,259 are subject of "necessary vigilance", as stipulated in Article 4 and 4/1 of the Law 9917 on For Prevention of Money Laundering and Financing of Terrorism. In these cases, the bank is obligated to do a long list of due diligence measures, including the reason for the wire, type of business relation, and final beneficiary among others. Regardless the amount, POs should provide supporting evidence for any wire sent abroad, such as funding agreement and receipt from the beneficiary among others.

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

<b>Score: 4.0</b>
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In December 2019, the Ministry of Finance and Economy issued the Instruction No. 34 (February 12, 2019) on A Modification of the Instruction No. 6 (January 30, 2015) on the Value Added Tax in the Republic of Albania, as Amended. This new instruction marks a major improvement in the value added tax (VAT) reimbursement procedures. From now on, all funding that goes in support of POs and comes as part of governmental agreements qualifies for VAT reimbursement. Before 2019, only funding awarded by European Delegation in Albania qualified for reimbursement.

### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

**Score: 3.1**

The structures for dialogue and cooperation between POs and public institutions remain The National Council for Civil Society and The National Council for European Integration. Both structures are dysfunctional, not respecting any minimum requirement of number of meetings and agenda setting in an inclusive way. The POs don't have the necessary space to discuss, and the debate is politically dominated. In line with The National Plan for European Integration 2018–2020, there is the partnership platform of European integration organized in two levels, the Governing Board and 33 Discussions and Consultations Tables. POs have a special place in both levels. The process has been slow and participation of POs in consultative tables has been poor. Overall, the consultative process remains superficial, not targeted and non-transparent, short-sighted, and inconsiderate of the POs' input. In the last two years, a decrease in transparency and response from state institutions to the requests for information has been observed. The decrease is also reflected in the increased number of complaints (786 cases) from POs to the Commissioner for the Right to Information. Despite that, the number of cases that the Commissioners have ruled on has decreased. Issues also exist with transparency and access to information at the local level, despite the fact that more regulations had come into power to improve it. In December 2019, the Parliament approved an anti-defamation package, proposed by the government. It was largely opposed by media and human rights organizations at national and international level, including the OSCE. It was revoked by the President and turned back to Parliament. In June 2020, the Venice Commission (an advisory body of the Council of Europe promoting human rights) issued an opinion suggesting that authorities revise the draft and support the setting-up of an effectively functioning self-regulatory body for the media.

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

**Score: 3.4**

The public funding support allocated through the Agency for Support of Civil Society (ASCS) has decreased about 40 percent compared to the previous years. The budget allocated for Fiscal Year (FY) 2020 was USD 588,000 against USD 964,000 planned and distributed in previous years. The maximum grant size was USD 8,000. This year, the public funding provided also cost-sharing support to EU funded projects, implemented by POs. Still, there is no institutional support available to POs either through public funding or private and foreign donors. In FY 2020, there was noted a regress in the transparency aspect of funding distribution and procedures observed by some state or state-related agencies. As an example, the Ministry of Culture in the FY 2020 Call for Proposals Guideline did not provide any information either on the size of grants or the winning projects. Similar transparency issues were also noted with the National Lottery Fund. A positive development was the enacting of Law 39/2019 on For Administration of Seized and Confiscated Assets, which entitles the Agency for Administration of Sequestered and Confiscates Assets to manage a special fund in support of PO activities that relate to the Agency's mission. In 2019, the government approved the second "Road Map for the Government Policy towards a More Enabling Environment for Civil Society Development 2019–2023 ". Since its approval, no significant change has occurred and the majority of actions due by 2020 did not happen. In 2020, ASCS conducted a consultative process about the Road Map, but its results were never made public. The Decision No. 789/2018 on For the Establishment of the Fund for the Support of Social Enterprises and Support Forms by Subsidiaries

for Social Enterprises foresees the establishment of a fund of approximately USD 2.4 million in support of POs that have received the social enterprise status. The fund was planned to be distributed during the period 2019–2021. Until now, no single PO has been awarded funding.

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

<b>Score: 3.0</b>
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Albania was hit by a devastating earthquake on November 26, 2019, which caused fatalities and major destructions in a couple of cities. In the midst of the reconstruction efforts, the COVID-19 crisis happened, worsening the economic prospect of the country. Although the official statistics report only 11.8 percent unemployment rate by the end of 2020, the figure is believed to be higher. The public debt in 2020 is expected to be 80.9 percent of the gross domestic product (GDP) and the government aims to decrease it to 78.6 percent in 2021. At the end of the third quarter of 2020, the GDP contracted by 5.34 percent. In 2021, according to the projections of the Ministry of Finance, the economy will grow by 4.7 percent. The GDP per capita reached USD 5,490 in 2019. The perception of corruption is really high in the country. According to Transparency International Report 2019, Albania ranked in the 106th place out of 180, dropping 7 places. Corruption is highlighted as a critical issue by the U.S. State Department and World Bank. A critical issue remains impunity of high-level corruption among politicians, judges, and powerful business people.

## VI. Socio-Cultural Environment

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

<b>Score: 3.5</b>
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There has been no change since 2018. For more information, please see the 2018 Albania Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15998>

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

Current state of the philanthropic sector

The nonprofit sector is still weak and remains more developed in the capital and some large cities. POs in remote areas are small and suffer from limited access to resources. The volunteer engagement has started to pick up after a long transition following the change of the political system during the 1990s. Still, it demonstrates prevalent activity. The engagement of volunteers with formal POs is still weak. At the same time, there is important engagement from the general public in donating for social causes. There are hundreds of self-organized fundraising campaigns of different groups, with contact through social media or responding to calls for support. It is also noted in the



monitoring of philanthropic activity in the country conducted by Partners Albania, which shows an increase in the number of individual donations.

There are two foundations that mobilize considerable donations from individuals and corporations in addressing pressing issues related to poverty, health and education of marginalized groups, such as *Fundjave Ndryshe* and *Firdeus*. Private sector philanthropic activity continues to be conducted at a large scale through corporate social responsibility (CSR) mechanisms. In general, it is focused primarily on poverty alleviation or groups at risk.

Recently, there has been a growing interest and investment of some companies on sustainable development and digitalization. Private foundations, including those established by corporations, remain very limited in number and not very active. Organizations that support the philanthropic sector are few and there is a pressing need to extend such support to remote areas.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. Annual Philanthropy Award given by the Partners Albania for Change and Development
2. Exemplary solidarity and giving addressing the aftermath of the November 2019 earthquake
3. Social innovation in response to the COVID-19 crisis

Future development trends in the philanthropic landscape

Crowdfunding platforms that are owned, managed and attract local support are missing at the moment in Albania. The first ever Albanian crowdfunding platform (Smile.al) is expected to be launched in 2021. It is an initiative of a private bank in partnership with other local actors. Smile aims to support initiatives of POs in several sectors with high social impact. Another development in this regard is mobilization of the Albanian diaspora in support of economic and social development of the country of origin. This effort comes through the Global Albanians Foundation (GAF), which aims to provide the institutional mechanism for the large Albanian Diaspora to donate in their country of origin. The GAF provides financing through crowdfunding and online donations for Albanian not-for-profit organizations. In 2021, [www.DuaPartnerInvest.com](http://www.DuaPartnerInvest.com) was launched, an interactive online platform initiative of Partners Albania for Change and Development. The platform represents a unique opportunity to enable all type of investors (businesses, venture capital firms, impact investment schemes, development programs and individuals) around the world to invest in regional startups generating a social or environmental impact. It will enable innovative startups in the Western Balkan region to access expertise from a large community of experts. There is also a recent initiative of Partners Albania to support the development of community foundations in the country. It is considered a strategic development in creating the necessary institutional infrastructure that will support community engagement and provide the vehicle for strategic investment of philanthropic donations.

Three key recommendations to improve the environment for philanthropy

- Legal recognition of philanthropic activity (giving) by clearly distinguishing it from sponsorship
- Freeing the philanthropic activity (giving) from state interference. It continues to be the case with many big corporations that donate to state agencies in a non-transparent way, which is seen as a trade-off for access to public contracts.
- Support and recognition from the government to the work and contribution of POs towards the public good.

## VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The health and social sectors are the main areas where the non-profit sector and philanthropy are responding. They support the local government in the identification and delivery of support/services to the marginalized groups. There are initiatives like “Adopt a Grandparent”, “Shopping Angles”, or “Family for the Family” that assist the elderly and families in need, especially in lockdown conditions when access to basic services is challenging. Overall, POs reacted quickly in adapting their services online, which remain crucial for certain groups like the ones with different type of disabilities.

Therapies of all kinds were redesigned and tailored for online delivery. Support groups and messaging have been developed to address issues of mental health, which has become prevalent with COVID-19. Other groups and individuals put their technical and professional skills to use on initiatives that aim to find innovative solutions to challenges faced by health workers. They range from facial masks that are cheap and safe, and that use marginalized groups in the massive production work, to more advanced technologies such as shield masks.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Innovation solutions and products were pivotal to alleviate the pandemic situation. Among these innovative solutions are face shield masks manufacturing via 3D printers, production of doorknobs that enable opening doors without touch used both in school and medical centers, chirurgical parts for respiratory purposes, and the creation of an education platform and a virtual platform called “Better together”.

Impact of COVID-19 on the philanthropic environment

The declaration of a natural disaster emergency on March 24, 2020 was followed by a total lockdown of private and public activities, including closing educational institutions, commercial and sport activities, forbidding travel within and outside the country, and banning any type of gathering. This period was characterized by a huge number of normative acts, 211 of them, that came into power through speedy procedures and no public consultation or advance notice. The civil society sector was not included in any of the consultative structures around the preventative measures for COVID-19 and was not included in the financial support mechanisms of the government. It continues to not



be part of the design, implementation, and monitoring of national strategies and policies for COVID-19 response. Access to information during this period has been restricted. Many media and human rights organizations have accused the government for not disclosing information related to COVID-19. The vaccination process that started at the beginning of 2021 is one of such cases. The right of demonstration was directly impacted by the restrictive measures. Between March–July 2020, nine assemblies were dispersed by State Police and 119 individuals were prosecuted.

#### Anticipated impact of COVID-19 on the philanthropic environment in 2021

COVID-19 is expected to continue its negative impact in the economy even during 2021, although government projections are more optimistic when compared to 2020. Still, considering the fact that unemployment has increased, the small and medium enterprise (SME) sector is facing liquidity issues and challenges to retain staff, while big companies during 2020 had to reduce staff because of decreased production volumes, 2021 is going to be a difficult year. In this context, philanthropic donations are expected to be smaller in volume and probably in number. The engagement of the diaspora that started in 2019 might be an important contribution to fill in the gap created. In terms of funding coming from bilateral and multilateral donors, it is hard to predict because most of them are going through a strategic planning phase, in many cases also affected by the COVID-19 situation. However, it does not look like the direct support for the PO sector will suffer a major cut. Private donations from individuals and private companies would have to be deployed strategically in order to alleviate problems created from the pandemic situation. For this reason, a more genuine philanthropic intervention is needed to address long-term needs from the pandemic situation.

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