

**Opinion of the European Economic and Social Committee on ‘European philanthropy: an untapped potential’
(exploratory opinion requested by the Romanian Presidency)**

(2019/C 240/06)

Rapporteur: **Petru Sorin DANDEA**

Exploratory opinion request by the Romanian Presidency of the Council	Letter, 20.9.2018
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	24.4.2019
Adopted at plenary	15.5.2019
Plenary session No	543
Outcome of vote (for/against/abstentions)	132/5/15

1. Conclusions and recommendations

1.1. The EESC fully acknowledges the complementary and innovative added value that philanthropy can bring to social cohesion by boosting common values and making our society more resilient. The Committee recommends that the Member States recognise philanthropy as a form of demonstrating societal commitment and engagement, create space for philanthropy and engage with philanthropic actors with appropriate legislative or non-legislative initiatives.

1.2. The EESC calls on the Member States to establish an enabling environment for philanthropy in line with EU freedoms and fundamental rights, which encourage philanthropic and citizen action, private giving to public benefit causes and the creation of philanthropic organisations, as well as ensuring that national and EU security measures are risk-based, proportionate and evidence-based but also promote transparency in philanthropic action.

1.3. The Welfare State and social security are a European creation, envied by the rest of the world. The Committee believes that the Member States should strengthen the welfare state, the European Social Model, and the social protection systems, based on tax justice and effective employment policies. This will improve the complementarity and capability of philanthropic organisations to meet the real needs of the most vulnerable people and to address issues which are not fully covered by public institutions or the private sector.

1.4. As the free flow of capital is at the core of the EU's single market, the EESC considers that ensuring the legal and practical application of this fundamental freedom coupled with the non-discrimination principle to facilitate cross-border philanthropic giving and investments should be a priority for the EU and the Member States. Supranational legal forms to facilitate philanthropic engagement should also be considered.

1.5. The EU could leverage the impact of private resources for the common good by introducing financial instruments, for example via the 2018 Invest EU programme, that act as a catalyst for co-granting with philanthropy, that stimulate co-investments and more social impact investments and that provide guarantee tools to reduce the financial risks of mission-related investments by philanthropic organisations. It should also facilitate engagement in social innovation.

2. Introduction

2.1. In ways big and small, philanthropy has improved the living conditions of the people of Europe and around the world. All over Europe, individuals, families, social partners, civil society organisations and businesses contribute to the common good, participating in a time-honoured tradition that advances our common humanity in a clear complementary role to the state.

2.2. Individual giving in all its forms is probably as old as human interaction, while the origins of organised giving (in the form of foundations, for example) in many European countries go back to the Roman Empire. At the same time, Europe is a diverse continent and philanthropy is conditioned by differences in history and culture, economic and political conditions, and rules.

2.3. Today, philanthropy is one form of demonstrating social commitment, commitment to the public good, solidarity and active citizenship. Individuals are the core of philanthropy: they are free to contribute their private resources to public benefit causes and to do this by supporting or setting up philanthropic organisations bound by the principles of transparency and accountability.

2.4. Philanthropic flows are protected by EU Treaty freedoms. The EU Charter of Fundamental Rights and specifically the right of association provide citizens with the freedom to create and organise structures for philanthropy. Many of them promote EU values as outlined in Article 2 of the EU Treaty, which include respect for human dignity, human rights and the rule of law.

2.5. Philanthropy aims to bring about a society centred around social cohesion, active citizenship, fulfilment and equal opportunities. These are important values for our society. They are triggered by indignation at injustice, care for the most vulnerable, compassion, aspirations for an innovative future and the responsibility for preserving valuable nature and culture. Motivated by these values, many individuals and philanthropic organisations offer solutions and tangible results.

2.6. Europe's philanthropic sector is composed of various types of donors and philanthropic entities. Although there is no single, up to date and comprehensive study on European philanthropy covering all EU Member States, we have some indicative data on the sector. In 2016, data compiled by the Donors and Foundations Networks in Europe (DAFNE) and analysed by the US Foundation Center indicated that there are more than 147 000 registered 'public benefit foundations' in Europe, with combined annual expenditures of nearly EUR 60 billion. These figures are based on the latest available data from 24 European countries, including 18 EU Member States. In 2017, a study published by the European Research Network on Philanthropy ⁽¹⁾ provided a comprehensive overview of philanthropic giving by households, corporations, public benefit foundations and charity lotteries in 20 European countries (19 EU Member States and Switzerland) based on data sources from 2013. For these 20 countries, it is estimated that philanthropic contributions in Europe account for at least EUR 87,5 billion annually (the lower estimate).

3. Role and value

3.1. Philanthropic initiatives take on societal issues at local, regional, national, European and international levels. Philanthropic giving covers public benefit causes, from promoting plurality of ideas, inclusive societies, integration of people with disabilities, Roma and migrants, human rights and the rule of law to funding research and innovation, environmental issues, arts and culture, social justice projects, start-ups and social economy enterprises in all areas relevant to the EU.

3.2. The diverse nature of philanthropy means that the sector is able to detect and step in and support niche areas when market and government actors have more difficulty doing so ⁽²⁾. They often act as catalysts for innovation and new ideas. Philanthropic action has the advantage when it comes to discovering and trying out new methodologies to solve societal issues. Philanthropy does try, often succeeds, and sometimes fails but will always learn and share its best practices.

3.3. In many cases, public actors (such as national governments and local authorities) and philanthropic actors work in partnership to complement each other in activities which keep our society strong. Philanthropy will augment its impact if it can be supported by public authorities. The EESC is aware of the fact that philanthropy helps individuals but it is not part of the European social model (solidarity-based social protection, public services, social dialogue) and cannot be a substitute for it. The Committee is also aware of the fact that philanthropy can be in short supply for the poorest people. It would recommend that solidarity-based social protection systems be kept up and developed, and acknowledges the support provided for these sectors of society by philanthropic organisations.

3.4. Philanthropy is open to everyone; everyone can give. Millions of individual and corporate donors and funders already engage in Europe every year. It is primarily about passion, gratitude and commitment around societal issues in complementarity to public action. There are many ways in which individuals and organisations, including companies, can give to public benefit causes. These range from philanthropic gifts/donations or social impact investments to setting up donor advised funds or establishing an independent private philanthropic organisation with a long-term vision.

3.5. Philanthropic issues are transnational, cross-border and European: public benefit issues (such as climate change and health risks) do not stop at borders and Europeans are becoming increasingly mobile. Philanthropic organisations and donors therefore work increasingly across borders and in collaboration with partners from all over Europe, despite the existence of legal barriers to cross-border philanthropy. Philanthropic actors are also committed to global values and initiatives such as the SDGs and the climate agreement and promote their implementation at EU, national and local level.

⁽¹⁾ www.ernop.eu

⁽²⁾ See for example the case of the Belgian NGO Kick Cancer, which funds research for the development of medicines for children with cancer, <https://kickcancer.org/?locale=en>

3.6. Foundations and other philanthropic organisations can also act as ‘conveners’, bringing together the various stakeholders needed to solve a particular challenge.

3.7. Some national governments are introducing or considering introducing tighter rules that are reducing the operating space for philanthropy, also under the increasingly negative public discourse referring to civil society organisations ⁽³⁾. Mechanisms for stimulating philanthropy and an overall enabling environment are however essential for creating a culture of giving. Limiting the operating space might lead to increased public distrust of the valuable role played by civil society in promoting the development of society as a whole.

4. Barriers to be overcome in order to unleash the full potential of philanthropy in Europe

4.1. To unleash its full potential, philanthropy and its organised forms need an enabling environment at EU and Member State level. This includes a favourable social culture and legal environment stimulating philanthropic engagement. The 2018 study *Enlarging the Space for European Philanthropy* by Oonagh Breen ⁽⁴⁾ revealed that while companies can, within the EU single market, move freely across borders for profit capital flows without undue restrictions, this is not yet the case for philanthropic organisations and philanthropic flows. In addition, worrying developments regarding the introduction of foreign funding restrictions in some EU countries and more demands from the security agenda are challenging the operating space.

4.2. Organised philanthropy is a key partner in civil dialogue, which needs stronger enforcement ⁽⁵⁾. Increasingly, philanthropic organisations and donors work across border and in collaboration with partners but they are challenged by various legal, administrative and fiscal barriers:

- Firstly, philanthropic organisations sometimes need to register before they are able to operate in another country. Legal personality is not always recognised abroad.
- Secondly, there is no legal provision in most countries for shifting a philanthropic organisation’s headquarters across borders and so this process entails a high degree of legal uncertainty.
- Philanthropic entities cannot merge across borders as companies can.
- Governments should refrain from rolling back incentives for donations and sponsorships for philanthropic organisations including in cross-border contexts, especially for those offering services not covered by the market or public authorities.
- There are also fiscal and administrative barriers hampering the work, especially for cross-border philanthropy, since the tax non-discrimination principle is not yet implemented equally and in a meaningful way by the Member States to cross-border philanthropy ⁽⁶⁾.

4.3. In addition we see restrictions on foreign funding, whereas philanthropic funding should flow freely according to the EU principle of free movement of capital and on occasion, security policies at national and EU level challenge the space. While the security agenda is of great importance and a joint concern, caution is needed when it comes to potential unintended consequences for the sector. Policy measures must be risk-based and proportionate.

4.4. The philanthropic sector is also active in addressing extremism and providing humanitarian support. Its knowledge and expertise is an asset for addressing these challenges.

4.5. Political environment: at national and especially at European level, the perception of the complementary role played by philanthropy with regard to public action needs to be improved. Philanthropy is still relatively absent from debate in the European institutions.

⁽³⁾ See 2018 EU Fundamental Rights Agency study on civil society space listing challenges in different EU countries for civil society including philanthropy space — <https://fra.europa.eu/en/publication/2018/challenges-facing-civil-society-orgs-human-rights-eu>

⁽⁴⁾ *Enlarging the space for European philanthropy*.

⁽⁵⁾ EESC Liaison Group Action Plan for the implementation of Articles 11(1) and 11(2) TEU.

⁽⁶⁾ *Boosting cross-border philanthropy in Europe: towards a tax-effective environment (EFC-TGE study)* by Hanna Surmatz and Ludwig Forrest, May 2017.

5. Philanthropic growth and potential

5.1. Philanthropy is growing rapidly. In the last decade, increasing numbers of private initiatives have taken on societal issues that governments and economic actors have difficulty resolving on their own and have become a crucial foundation for our society. The EESC regrets the negative impact that governments' reduced capacity to provide protection and social services to their citizens have had. In this context, strengthening the conditions under which philanthropy can flourish is a very timely issue. Modern European philanthropic organisations are young. The number of public benefit foundations has increased rapidly over the last two to three decades. For example, between 2001 and 2014, the number of French foundations more than doubled. In Belgium, more than half the foundations in existence in 2012 were founded after 1995, and the sector has expanded rapidly in the last decade. In Spain, even more than 70 % of public benefit foundations existing in 2014 were founded after 1994 ⁽⁷⁾.

5.2. Philanthropic giving and engagement have been growing steadily in various European countries, particularly in the last few years. Philanthropic barometers indicate this growth all over Europe.

5.3. Community engagement and local philanthropy are growing. Community foundations all over Europe are now vital for social cohesion.

5.4. The younger generation is particularly committed to the common good, and is engaged in a number of new ways. Researchers are highlighting a global movement, new values and the positive impact of technological developments (crowdfunding, social media, global borderless causes but also very local, grassroots initiatives). Social investment is key.

5.5. Women also play a very important role in philanthropy in Europe. Philanthropic engagement by women is growing. Women tend to give in a more engaged and inclusive way, wanting to meet the people they fund, collaborate with their peers and involve themselves in the cause they are tackling. Women often give to more complex issues such as gender violence and health.

5.6. Giving back is becoming part of the corporate sector activity. Philanthropic engagement is part of and reinforces the CSR strategies of companies all over Europe. More and more companies of all sizes are committing financial resources, products, knowledge and time to the common good.

5.7. Special attention and support should be given to the growing social economy sector, which is an area of innovative philanthropic activity. Increasing numbers of people and entrepreneurs are turning to social economy business models, which are a key driver of sustainable economic and social development ⁽⁸⁾.

6. Boosting philanthropy in Europe

6.1. *Recognise philanthropy*: recognise the added value that philanthropy can bring to social cohesion by boosting common values and making our society more resilient. Promote philanthropy as a form of demonstrating social commitment. Engage with philanthropic actors and create space for legislation and regulation promoting this form of social engagement.

6.2. *Enable and protect philanthropy*: call on Member States to establish an enabling environment for philanthropy. Ensure that national and EU security measures are risk-based, proportionate and evidence-based. Do not discourage philanthropic and citizen action. Provide incentives for private giving for public benefit causes, in a context of fiscal justice.

6.3. *Facilitate cross-border philanthropy*: the free flow of capital is at the core of the EU's single market. Ensure the legal and practical application of this fundamental freedom coupled with the non-discrimination principle to facilitate cross-border philanthropic activity. Cross-border investments by philanthropic organisations are key. Supranational legal forms to facilitate philanthropic engagement should also be considered.

6.4. *Co-grant and co-invest for the public good and for a stronger civil society*: facilitate engagement in social innovation tools and the establishment of strategic partnerships with philanthropic actors. The EU could leverage the impact of private resources for the common good by introducing financial instruments that facilitate co-granting and stimulate co-investments by philanthropic organisations.

⁽⁷⁾ http://www.fundaciones.org/EPORTAL_DOCS/GENERAL/AEF/DOC-cw585d042d56ecf/Aefsectorfundacional3erInforme3.pdf

⁽⁸⁾ The promotion of the social economy as a key driver of economic and social development in Europe — Council of the EU, 7 December 2015.

6.5. *Embrace innovation*: we live in an exciting time for philanthropy. Innovative approaches such as social investments, impact bonds, impact investing and venture philanthropy are delivering breakthrough results and inspire both traditional notions of charity and corporate practices. New technologies and social media allow for rapid new engagements and impact. 'Data for Good' and digitalisation offer new prospects for philanthropy all over Europe. A new digital European cross-border giving platform allowing donors from all over Europe to support organisations all over Europe is in the process of being set up. Public and private stakeholders should encourage and develop these initiatives in order to make philanthropy more targeted and impactful.

Brussels, 15 May 2019.

*The President
of the European Economic and Social Committee*
Luca JAHIER
