Enabling Environment for Philanthropic Activity in Albania

April 2020
This publication has been prepared in the framework of “EMBRACE – Entrepreneurship Models Building Relations and Creative Economy” project with the financial support of European Union through European Delegation in Albania.

The content of this publication is the responsibility of Partners Albania for Change and Development and does not necessarily reflect the views of European Union.

Authors:

Juliana Hoxha
Erila Haska
Partners Albania for Change and Development (Partners Albania), as an organization dedicated to this field for a decade now, believes that the culture of giving and philanthropic activity is an important factor in the development and betterment of society. Its work is multifaceted including promotion of culture of giving in Albania, research to better understanding the development trends, potential and challenges, and advocacy for a conducive environment of such activity.

In order to increase public awareness and recognition on the significance of philanthropic activity, Partners Albania organizes an annual event dedicated to the most impactful contributions of the year made by individuals and businesses through the “Philanthropy Award”. It is combined with systematic monitoring of philanthropic activity in Albania, publicly accessible in the form of quantitative and qualitative monthly and annual (2015, 2016, 2017, 2018) reports.

Partners Albania has planted the first seeds in researching the philanthropy field in Albania. To shed some light on the roots of philanthropy, Partners Albania published A historical view of the development of Philanthropy in Albania study, which portrays the development of philanthropic activity in Albania in different historical periods, starting from the 19th century.

In 2011, Partners Albania introduced Entrepreneurship and Philanthropy study, aiming to reveal and analyze the scale and nature of philanthropic activity conducted by business community in Albania. Following this survey, in 2017 Partners Albania published the second study on Philanthropic activity of Enterprises in Albania to assess the level and characteristics of philanthropic activity carried out by the business sector in Albania, its development features and trends during 2011 – 2016.
Table of Contents

05 Terminology
06 Introduction
07 1. The State of the Philanthropic Sector in Albania
08 2. Tax and Fiscal Framework
08 2.1. Enabling Tax System for Receiving and Making Donations in Albania
08 2.1.1. Receiving of Donations from POs
08 2.1.2. Corporate Donation
09 2.1.3. Individual Donation
09 2.2. Enabling Tax System for Donations – International Best Practices
09 2.2.1. Receiving of Donations from POs
10 2.2.2. Corporate Donations
10 2.2.3. Individual Donation
11 3.1. Regulatory Environment for Sending and Receiving Cross-Border Donations in Albania
11 3.2. Regulatory Environment for Sending and Receiving Cross-Border Donations – International Best Practices
12 4. Political and Governance Environment
12 4.1. Albanian Practice
12 4.2. International Best Practices
13 5. Global Trends in the Philanthropic Landscape
15 6. Key Recommendations to Improve the Environment for Philanthropy
16 References
**TERMINOLOGY**

**Corporate Philanthropy** are “donations of funds, time, resources, and in-kind services by companies to charitable, nonprofit, and/or community initiatives with the intention of 'giving back' from profit for the greater common good”.[1] Corporate philanthropy (or corporate giving) is considered as a specific type of CSR activity. There are corporates that create foundations or incorporate CSR practices into their work. Corporate philanthropy is becoming a major force, both through CSR units and independent corporate foundations (Liang & Renneboog, 2016).

**Corporate foundations** are “philanthropic organizations that are created and financially supported by a corporation. The foundation is created as a separate legal entity from the corporation, but with close ties to the corporation” (Council on Foundations).

**Philanthropic freedom** refers to the “existence of enabling conditions and enabling elements that are present in a society to support free, independent and sustainable philanthropic activities” (Lilly Family School of Philanthropy, 2018).

**Corporate social responsibility - CSR** is about “companies having responsibilities and taking actions beyond their legal obligations and economic/business aim” (European Commission, 2002). CSR not only deals with corporate philanthropy but also other issues that affect the environment, consumers, human rights, supply-chain sustainability and transparency for the greater good of the world at large.

**Philanthropic Organization - PO** refers to “a form of non-market, non-state organizations outside of the family that provide services for the public good”. It includes the following: foundations (grant-making, operating, corporate, community, or government sponsored/created), community-based organizations and village associations, professional associations, environmental groups, advocacy groups, cooperatives, charitable organizations, centers, faith-based organizations, mutual entities, labor unions, societies, research institutes, diaspora organizations, online social-purpose portals, and transnational and cross-sectorial coalitions (Lilly Family School of Philanthropy, 2018).

---

INTRODUCTION

There is a greater belief that institutional philanthropy can stimulate strategic investments, and have a growing impact on the solution of the economic and social issues. While many countries and cultures have long traditions on philanthropy, the current global foundation sector is growing particularly in high-income countries (Johnson, 2018).

The United States has been the most generous country in the world over the past decade with 95% of donors accounting for €224 billion, according to the World Giving Index (Charities Aid Foundation, 2019). In comparison with the United States, Europe ranks quite low with 44% of donors accounting for €22.4 billion (Observatoire de la Fondation de France, 2015).

However, in many countries across Europe philanthropy is growing as a source of funding in particular for social innovation. Before many centuries, philanthropists were major funders of social, cultural and religious institutions. Nowadays, the rich tradition of giving is on the rise in Europe (European Research Network on Philanthropy, 2017). There is an advance of both informal and institutional philanthropy displayed on different levels across Europe (Lilly Family School of Philanthropy, 2018). However, facts on the volume and the social impact are missing.[2]

Despite the lack of reliable and public data, the philanthropic actions and seeds of innovative philanthropic tools are on the rise in Albania, as well. This paper seeks to present an overview of philanthropic state of affairs in Albania and provide the main trends and best practices from other countries, which could serve to a better comprehension of the dynamics from the stakeholders’, part of the PO sector. The paper is structured based on the main indicators composing the philanthropic freedom such as tax and fiscal issues, cross-border philanthropic flows, the political environment in Albania as well as the main trends of the sector.

The applied methodology used in the paper consisted in desk research collecting information and data based on the legal framework, regulations, need assessments, studies conducted by NPOs, donors, international and national agencies.

Foreign capital, which have inherited, the monitoring of philanthropy were developed mainly by Albanians living abroad. The philanthropy planted its first seeds in the field of education and culture, which created the basis for the economic development of Albanian cities. During the communist area, the charity and philanthropy were replaced with the concept of voluntarism and solidarity. The economic and social transition of Albania after 90’s, accompanied with the establishment of nonprofit organizations and the development of civic society determined the conditions for revival of the charitable and philanthropic activity (Partners Albania, 2011).

Based on the daily monitoring of the philanthropic activity in the country, support to marginalized groups, followed by seasonal giving and poverty relief are the main fields of donation during last 5 years, 2014 - 2019. Consistently, children and youth remain the main beneficiary of the philanthropic activity.[3] When it comes to the main areas of business sector philanthropic activity, the poverty relief is the main one followed by education and health. The biggest contributors belong to the banking and insurance sector (Partners Albania, 2017).

During 2015 - 2018, the number of donations per year ranges between 217 and 328 showing a stable trend of donations. There was an exceptional increase in the number of donations for year 2019 with 90,436 donations, due to remarkable solidarity demonstrated in response to the earthquake of November 26th relief efforts. Regarding the nature of donation, cash is the most common form of donation, followed by in-kind donations. Donations from business sector comprise the largest value, in particular for 2017 and 2019.3 Nevertheless, these data are not very accurate and there are grounds to believe that value of donations is much higher. The methodology of data collection is based on media reports, including social media and official information resources made available by public and non-public institutions. Reporting of philanthropic activity by business sector, especially SMEs is not common and not always business chose to go public about them.

According to Partners Albania (2017), the philanthropic activity by the business sector is mainly led by the will of the owner or CEO. Only a small percentage of businesses – mostly operating in the telecommunication, banking, and mining industry – have strategies in place and structures related to corporate social responsibility. Mostly, these businesses are large taxpayers with foreign capital, which have inherited from their headquarters a strong business public responsibility.

Although there is a CSR network in Albania it has not been very effective. Firstly, in creating a public discussion around CSR role and possible ways to encourage it, and secondly, developing a support and promotion program for businesses that would like to develop CSR strategies. Predominantly, the owner or CEO is the first entry point to the decision for any philanthropic donation, regardless of size and scope. However, there are some corporations that have started setting up their own philanthropic foundations. Because corporate philanthropy is predominantly not strategic but rather ad hoc, it suffers inconsistency in areas/issues it supports and volume of donations. The latter one is directly linked to the financial performance of the private sector, and the optimistic growth forecast.

When it comes to corporate philanthropy through nonprofit sector, the business sector expects NPOs to be more proactive in presenting their social investments needs which are in line with the business strategy. Another important factor in this relation is the transparency of nonprofit sector and its impact in the community. These would increase the trust of business to channel their donations through NPOs (Partners Albania, 2017).

In terms of individual giving, the monitoring of philanthropy activity during the years has shown that individuals comprise the second largest group of donors in the country. Individual donors were ranked first in terms of donation number and value during 2016 and 2018.3 It seems that individuals are more sensitive to causes like poverty alleviation and natural disasters.[4] During the recent years, individuals have been involved widely in onsite and online fundraising campaigns by donating cash, in kind and showing an impeccable readiness even in volunteering work and pro-bono services. Individual donations are still invisible in the eye of media and not widely promoted. For more than three years, individual donors have been actively donating to charity foundations like Fundja Ndryshe and Firdeus Foundation by showing a strong feeling of solidarity towards poor families and people in need.


[4] Some main examples of campaigns where individuals have shown a great spirit of solidarity and have donated massively are: The floods in Fier in 2015, the floods in Shkodra in 2018 and the big earthquake of November 26th 2019.
2. **TAX AND FISCAL FRAMEWORK**

### 2.1. Enabling Tax System for Receiving and Making Donations in Albania

#### 2.1.1. Receiving of Donations from POs

POs have no restriction to raise funds from private sources being local or international. Their grants, donations, bank deposits and membership fee are exempted from profit taxes. There is no legal restriction regarding private donations regarding either volume, nature or origin.

Goods and services offered by NPOs closely related to social assistance and care; goods and services closely related to protection of children and young people, services related with sport and physical education and goods and services on cultural and education are exempted from VAT.**[5]**

In order for a PO to get the VAT exemption, it should fulfill these criteria:

- **The decision - making body must have no direct interest in the PO activity;**
- **The non - economic activity must significantly prevail to the rest of PO activity;**
- **Service and goods carried out by POs should not compete with the profitable commercial sector;**
- **The annual turnover from profit activity must not exceed 20% of the total annual revenues.**

The procedure to claim VAT reimbursement for all purchases as part of the project has been in place only for EU funded projects, but in practice, it has not worked. It has been considered quite bureaucratic and complex; therefore, no PO has received VAT reimbursement. On December 2019, the Ministry of Finances and Economy approved an Instruction[6], which makes significant improvements in terms of VAT issue. According to the Instruction No. 34, “**NPOs which have entered into a financing contract with donor funds enjoy the right to a refund of the VAT paid on the purchase of goods and services**”. This procedure explains all the steps how the VAT will be reimbursed for NPOs and sub grantees. From now on all donor funding (not just EU) to nonprofit sector part of bilateral agreement with Albanian government is VAT excluded.

POs have the right to conduct economic activity up to 20% of the total revenues, if the economic activity is in conformity with the organizations’ primary mission. The number of NPOs engaged in economic activity remains limited. Based on the data given by the General Tax Directorate in 2018, 679 nonprofit organizations conduct economic activity, while according to the National Business Center (NBC), 319 nonprofit organizations possess a license and provide social and educational services (Partners Albania, 2019). Services provided by POs, except the ones stipulated in the law as above mentioned, are subject of VAT. Still, VAT claim is practically impossible for POs because of the rules under such claim work.

#### 2.1.2. Corporate Donation

There is an increasing trend of philanthropic activity conducted in USA, Europe, reflected also in Albanian landscape. European philanthropic capital is extremely concentrated, mainly as a result of very large corporate foundations (Observatoire de la Fondation de France, 2015). Even in Albania, it is evidenced an increased number of businesses that carry out philanthropic activity, from (62%) in 2011 to (83%) in 2016. In terms of the sustainability of philanthropic activity, 40% of businesses in Albania that claim to carry out philanthropic activity have consistently donated between 2014 and 2017. (Partners Albania, 2017).

In Albania, donations in the form of sponsorship are the only type of giving recognized and regulated by Law on Sponsorship.[7] Tax system permits donations between 3% and 5% (depending on type of activities sponsored) of profit before tax by entities who have the quality of merchant, being physical, juridical persons, local, foreign, or joint ventures. However, the list of deductible activities include only humanitarian, cultural, artistic, sport, education, environment, works of literature, science and research activities, leaving out democracy and human rights. In-kind donations and gifts carried out by corporations are not recognized as deducted expense.

---


The Ministry of Education, Youth and Sport Another has proposed a new amendment to the Law on Sponsorship, which is expected to be enacted during the year 2020. The amendment tackles only sport activities.\[8\] According to the document:

* a) for sponsorships in the case of widespread team sports, up to 20% deduction of profit tax is recognized;
* b) for sponsorship for other sports, up to 10% income tax is recognized.

Since there is no specific legal framework on philanthropy, there is no such procedure to report donations as a separated item in financial statements. Therefore, there are no reliable data as long as there are no means of verifications. In these circumstances, many businesses do not apply tax deductions.

### 2.2. Enabling Tax System for Donations – International Best Practices

#### 2.2.1. Receiving of Donations from POs

**GERMANY**

A nonprofit organization is deemed to pursue general public benefit purposes if it seeks to support the public “materially, intellectually, or morally”. The list of activities deemed for general public benefit, which is exclusive since 2007, includes the following categories: science and research, education, arts and culture, religion, international understanding, development aid, preservation of the environment and cultural heritage, support of youth or the aged, public health, amateur sports, support of democracy, care of soldiers and reservists, and the support of civic engagement. A nonprofit organization is considered to pursue “charitable or benevolent” purposes if it supports people in need due to their economic situation, or their physical and psychological state.

Public benefit status is stipulated in the General Tax Code, while tax benefits related to the public benefit status are addressed in the Corporate Income Tax Law, the Personal Income Tax Law and the Inheritance and Gifts Tax Law. The Tax Code provides that NPOs are recognized as public benefit organizations and are entitled to the related tax benefits if they engage in either “general public benefit” purposes/activities; “charitable or benevolent” activities; or “church-related” activities (Golubović, 2013).

**MACEDONIA**

The Law on Donations and Sponsorship of Public Benefit Activities provides a set of rules and criteria related to donations and sponsorship, including tax incentives provided for corporate and individual donors. Associations of citizens and foundations are eligible to receive donations only if they engage in activities, which embed public benefit purposes.

The Law separates public benefit activities and public benefit goals, even though it is difficult to understand which is the distinction between these two notions. Public benefit activities are considered activities in the following areas: human rights protection, education, science, information-based society, culture, sport, medicine, social protection and protection of people with special needs, blood donation, child protection, animal protection, environmental protection, etc. The notion of public benefit goals entails support to and encouragement of activities in the following areas: protection of human rights, promotion of culture, morality, education, science, development of information and knowledge-based society, sport, environmental protection, socio-humanitarian activities, civil society development, promotion of blood donation, promotion of international cooperation, as well as other activities defined by law to benefit the public (Golubović, 2013).

---

2.2.2. Corporate Donations

**SPAIN**

Spain is one of the countries, which applies tax incentives for philanthropy to individuals and corporations. Under the Law 49/2002 on the “Taxation of NonProfit Entities and Tax Incentives for Philanthropy”;[9] corporations may deduct 35% of the donation. There are cases that the amount of deduction can be increased up to 5% deduction for both individuals and corporations, if the contribution to the same nonprofit organization is sustainable for at least three years (ECNL, 2017).

**GERMANY**

Corporations are exempt from the corporate income tax, as long as they donate for “public benefit, charitable or church related purposes”. Corporations may deduct up to 20% of their taxable (gross) income for donations. There is another option, where corporation may choose to deduct up to 0.4% of combined sum of their salaries and turnover. Corporations have the possibility to carry forward to upcoming fiscal years the donations, which exceed the deductible limit. Almost all kind of donations such as cash, in kind, real estate which have an economic value are recognized (Golubović, 2013).

**POLAND**

Corporations may deduct up to 10% of their taxable (gross) income for giving to organizations conducting public benefit activities. Many kinds of donations are recognized ranging from cash, in kind, real estate, securities to shares (Golubović, 2013).

2.2.3. Individual Donations

The countries with the highest individual giving compared to GDP in Europe are the United Kingdom and the Netherlands. It seems to exist a direct correlation between the income tax level and number of individual donations. Therefore, in most of the countries where taxation is high, the proportion of people who give is lower. France, Belgium and Italy, where tax revenues exceed 40% of GDP, are all in the bottom half of the ranking (Observatoire de la Fondation de France, 2015).

Countries such as Hungary, Italy, Moldova, Poland, Slovakia, and Spain have introduced a “% tax designation mechanism”. The mechanism allows individuals (in Slovakia also the corporations) to give away a portion of their income-tax payment to a specific purpose or NPO as defined by law.[10] The amount raised from these tax designations is not a donation, but support from the state budget.

The mechanism is valuable for several reasons:

a) Contributes to strengthening of philanthropy and solidarity culture;
b) Points out the value of civil society;
c) Increases transparency, visibility and participatory decision making of NPOs;
d) Fulfills huge gaps in terms of NPOs’ financial capacity and makes them less dependent from other public funds;

In Hungary and Poland, individuals may allocate 1% of their annual income tax to a pool of organizations, eligible to get this type of funding. In Poland, only Public Benefit Organizations are eligible to receive tax designations, whereas in Hungary public benefit status is not a requirement, although the beneficiary organization must perform public benefit activities. In Romania, the mechanism creates an added resource of income for students’ scholarships based on merit or financial need. In Lithuania, taxpayers can allocate up to 2% of the income tax for artists (ECNL, 2017).

**SLOVAKIA**

In Slovakia, the law provides a list of activities that organizations must perform to be eligible to receive tax designations. In addition, Slovakia is the only country in which both individuals and legal entities are allowed to designate their tax. Individuals are allowed to allocate 2% of their income tax, while businesses may allocate from 1.5% to 3% to one or more registered NPOs based on their preference. Through the adopted amendments in Slovakia, individual and corporate taxpayers may choose to disclose their identity to their beneficiaries, or not. NPOs have to use the funds received from the tax-designation mechanism up to one year and a half from the time the money is received (ECNL, 2017).

**SPAIN**

Since 1988, Spanish taxpayers have been able to assign 0.7% of their income tax to social purposes. They may choose to direct these funds to the Catholic Church or to “other social purposes”. The allocation of funds is the responsibility of the government, and organizations and projects are selected through calls for tenders (depending on the field of activity) by the competent public institutions.[11] Most of these funds go to programs working with elderly, children and families, disabled, migrants, and other disadvantaged groups (ECNL, 2017).

---

[10] The laws specifying the “percentage tax designation mechanism” could be separate laws, or incorporated in tax laws and annual budget laws depending from the country.
[11] In general, the public institution in charge are Ministry of Health, Social Policy and Equality, the Spanish Agency for International Development Cooperation, or the Ministry of Agriculture, Food, and Environment.
3.1. Regulatory Environment for Sending and Receiving Cross-Border Donations in Albania

In Albania, there is no legal framework addressing the cross-border donations issue, except screening rules under anti-money laundry regulations. Therefore, cross-border donations either in cash or in-kind are possible, including here individual and corporate donors. In any case, these donations are not subject of any tax exemption, like is the case for in-country corporate donations qualifying under the Sponsorship law.

All cross-border in-kind donations received, are treated like any other imported good. Therefore they are subject of VAT and related custom duties. POs are eligible and free to receive donations from abroad with no prior approval from any government institution.

The Law on Sponsorship provides corporate tax deduction for corporations either local or foreign, but only for those registered and donating in the country. An impediment here, is lack of double tax treaties in place with many European countries.

Cross-border projects funded by European Union have not been VAT exempted. As of December 2019, also cross-border projects are eligible to get the VAT reimbursement based on the new VAT procedure.[6]

3. CROSS-BORDER PHILANTHROPIC FLOWS

3.2. Regulatory Environment for Sending and Receiving Cross-Border Donations – International Best Practices

The environment for cross-border philanthropy has not been conducive even within European Union. The European Court of Justice developed a general nondiscriminatory principle, which aims to provide facilities to public benefit organizations and donors when operating within EU borders and have the same tax incentive they enjoy in their countries. EU's non-discrimination applies to a broad range of areas from economy to civil rights (ECNL, 2017).

Still, some countries do not apply the principle and put barriers to cross-border donation flows. This made the European Commission to issue several infringement procedures against Member States that are not yet in line with the non-discrimination principle and the free movement of capital in this regard. One of the model countries is Luxemburg, which applies the same tax treatment of a cross-border donation as if giving happens within the country. The Luxembourg resident donors must state in their tax declaration that the EU based public benefit organization, which has received the donation fulfill Luxembourg tax law requirements (European Foundation Centre, 2017).
4. **POLITICAL AND GOVERNANCE ENVIRONMENT**

4.1. Albanian Practice

The structures and mechanisms for dialogue and cooperation between POs and public institutions in Albania are established at a large scale, marking a notable improvement in the last years. There are structures and mechanisms for dialogue and cooperation between civil society and state institutions, as The National Council for Civil Society and the National Council for European Integration (Partners Albania, 2020). Public consultation is regulated by law and require public authorities to consult on draft laws, national and local strategies, and policies with high public interest. Each public authority should appoint a coordinator on notification and public consultation processes. Despite that, there are still public institutions that have failed to put such structures in place. The PO sector is becoming a legitimate actor in policy development in the country, enhanced also by legal and institutional mechanisms in place regarding consultation and access to information.

The main source of public funding is the Agency for the Support of Civil Society, which does not constitute a considerable financial resource for civil society sector. This institution is often criticized for its lack of transparency accountability, and role of decision-making structures. There are two other public schemes available such as the scheme of the Ministry of Culture and Good Causes Board of the National Lottery, but the funding available from these institutions is insignificant for the sector. There are no restrictions for POs to access any type of funding either local or international, and donors are exposed to no interference in type of support they provide for POs sector. Still, the sector rely heavily on foreign funding, with government play a minor role in funding.

Recently we see in Albania new and innovative forms of philanthropy, one of them being “Giving Circle” (live crowdfunding) event organized by Partners Albania on annual basis. In addition, there is an increase in using international online crowdfunding platforms (mostly GoFundMe) from POs (i.e., Fundjave Ndryshe) for different campaigns related to disasters such as the earthquake on November 2019, or issues related to children and families in need. Firdeus Foundation has a TV show dedicated to raising donations mostly on issues concerning poverty alleviation and disaster relief. On the other hand, Albania is not eligible in most of the international fundraising platforms (i.e., FaceBook Campaigns) and Albanian POs or individuals use intermediaries that reside outside the country to access them. Furthermore, Albania (except Bosnia Herzegovina) is the only country in Western Balkan with no local crowdfunding platform (Partners Albania, 2019). The uptake of crowdfunding for Albania may take some time due to lack of legal regulatory framework and trust between nonprofit sector and business one.

4.2. International Best Practices

Some countries recognize the importance of philanthropy and fundraising and provide direct support to stimulate crowdfunding and philanthropy. One model is the state funding scheme, the so-called “National Cooperation Fund” in Hungary. Through this mechanism NPOs obtain matching funds to the fund raised through different means. The state support cannot exceed 5% of all the funds raised and declared by the applicant organization in the previous tax year. Anyway, the limit of the state support received by the organizations as part of this funding scheme cannot exceed approximately $1,800 (ECNL, 2017).

Developments in the philanthropic sector are accompanied with bigger and pro-active efforts from the sector towards self-regulations and higher ethical standards in order to build trust and legitimacy among public and stakeholders. There are several examples to this regard, one of them being the **International Statement of Ethical Principles in Fundraising**, which sets out the values, beliefs, and principles that govern professional fundraisers across the world. Its standards of practice for fundraisers address five key areas: responsibility to supporters, responsibility to comply with relevant legislation/standards, responsibility to their cause and beneficiaries, management, reporting and fundraising costs, pay and compensation (European Fundraising Association, 2018). Anyway, it does not replace any other code of conduct in individual countries, but rather provides a global framework to ethical fundraising activity.

There are countries such as UK, Ireland, France, and Spain, which have designed self-regulatory initiatives on fundraising and philanthropy. In the UK, there is the Code of Fundraising Practice (Civicus, 2014), developed by the Institute of Fundraising. The Code of Fundraising Practice sets the standards that apply to fundraising carried out by all charitable institutions and third party fundraisers in the UK. [12] In addition, UK has another mechanism such as the Charity Times Awards, which recognizes excellence in fundraising. A similar approach is used by Ireland with the Code of Practice and the National Award for Excellence, acknowledging best practices in fundraising (ECNL, 2017).

---

5. **GLOBAL TRENDS IN THE PHILANTHROPIC LANDSCAPE**

There are several emerging trends in philanthropic activity in Europe and US, despite differences in the ways how it is organized in the two continents.

In Europe, the number of donors and amount of donations continue to increase, along with the need for greater transparency and accountability from philanthropic sector. The government funding is decreasing and philanthropic organizations need to diversify their income sources through cross sector (Lilly Family School of Philanthropy, 2018).

Several innovative vehicles appear to be at the spotlight of the sector such as corporate volunteering, impact investment, social entrepreneurship, crowdfunding, online giving and venture philanthropy. The European Union Multiannual Financial Framework 2019-2021 reflects the importance of philanthropy and innovative instruments, which are bringing swift developments (Lilly Family School of Philanthropy, 2018). Foundations such as The Gates Foundation’s “Giving by All” initiative has funded experimental design, new applications and giving platforms, and research on giving circles (Bernholz, 2020).

Alternatives such as trust-based philanthropy and participatory grant making have emerged for shifting the dynamics in relationships between funders and nonprofit grantees. Trust-based philanthropy is based on values such as power-sharing, equity, transparency and collaboration encouraging unrestricted funding, doing extra efforts on the nonprofits alignment with the foundation, not the traditional approach (where nonprofit have to align with donors’ values) and partnering beyond funding (Whitman Institute, 2019). While, participatory grant making is defined as “the decision making power about funding (including the strategy and criteria) is shifted to the communities that funders aim to serve” (Gibson, 2017, p. 7).

Community Foundations, as nonprofit institutions that mobilize and invest technical and financial resources in a specific geographical area have been growing as a model in Europe.[13] This is a model, which is growing as an intermediary for more effective giving by joining forces and reducing administrative costs. While philanthropy and communities have been investing in inclusive growth efforts for more than a decade, an increasing effort to create partnership between nonprofits and private sector has come into focus (Johnson Center for Philanthropy at Grand Valley State University, 2020).

Despite the developments, in many European countries is observed lack of specialized research institutions and a common methodology in monitoring the philanthropic activity. As a result, Europe is falling behind in producing as a region reliable and up-to-date data on philanthropic activity. Acknowledging this pitfall in data collection and analysis, there are efforts from European philanthropic organizations to address the issue collectively. This will be beneficial to practitioners, policy-makers, and researchers in better understanding the sector impact and bringing more legitimacy to its activity, while engaging in fact-based advocacy efforts.[2]

Philanthropy and technology are changing rapidly, in particular in US. Experts estimate more than 150 trillion gigabytes of data will need to be analyzed by 2025 (Kulkarni, 2019). The term “data philanthropy”[14] is relatively new, because it was introduced by the United Nations in 2011. Even though, the resources have been limited, philanthropist and the biggest foundations are investing their resources to professional data scientist and support other nonprofits. Institutions have encouraged a new form of partnership in which businesses would share data for public benefit (Kirkpatrick, 2011).

In United States and some countries of Western Europe, there are many individual donors and foundations established by wealthy families. These foundations increasingly are more prone to support infrastructure organizations rather than multi-sectoral nonprofits (Johnson Center for Philanthropy at Grand Valley State University, 2020, p. 10)

Many private foundations, which do international grant making, have been working towards SDGs (17 Sustainable Development Goals). SDGs are drawing the attention of community foundations, which are making significant efforts to embody these goals as part of their values (Ross, 2018). Pandemic situations of Covid 19 as well will affect the philanthropic landscape and will draw the attention of investments towards medical infrastructure and research in this field.

The dynamic changes in the philanthropic landscape has given a particular importance to Corporate Social Responsibility (CSR). CSR as an overarching term seeks to align social actions outside the organization with business objectives. Ultimately, CSR is not a domain solely of big corporates, because small and medium enterprises are embracing CSR activities and are engaged more and more strategically in this regards (Johnson Center for Philanthropy at Grand Valley State University, 2020).

Beyond all major efforts to empower philanthropy, there is an increasing wave of critiques about “big” philanthropy. There are even suspects that big corporates cover up their

[14] Data Philanthropy - a term which describes a new form of partnership in which private sector companies share data for public benefit.
“money laundering” activities or “broken” reputation through philanthropic giving. This puts nonprofits in a complicated spot and needs an increased awareness of nonprofits to create policies, procedures or code of ethics to do a diligent vetting of donors before accepting donations (Rendon, 2019). Some critics move easily from concerns about the most elite and unethical philanthropy to condemnation of the entire practice of philanthropy. Even though the critics are important to hold big donors accountable in the society, there is a huge threat to undermine the significant role of philanthropy in democratic societies (Buchanan, 2019).

Following the global trends, Albania has step up efforts towards the development of philanthropic tools and mechanisms. Different initiatives undertaken by intermediary organizations such as Partners Albania to increase the bridges of cooperation between business and NPOs through speed dating, formal and non-formal meeting have contribute to a better strategic partnership between the sectors. Taking into consideration that the private sector expects a greater transparency from PO sector, an initiative of the National Resource Center for Civil Society Organizations tends to mitigate this challenge through developing a Code of Conduct for the sector. Private sector will tend to invest more funds in POs, which will embody the Code of Conduct as part of their institutional policies. Even though in a very infant phase, there are some traces of the innovative forms such as giving circles and venture philanthropy development, because some corporates have started to support social entrepreneurship initiatives.

Several disasters happening in the end of 2019 and the beginning of 2020 such as earthquakes and a pandemic situation (COVID 19) will affect the socio-economic development of the country and beyond. Thus, it remains to be seen how much and in what aspects the philanthropic sector will be affected and how this global crisis is going to shape its mission and institutional organization.
6. **KEY RECOMMENDATIONS TO IMPROVE THE ENVIRONMENT FOR PHILANTHROPY**

Creating an enabling environment for business sector and individuals to engage in philanthropy
The recognition of philanthropic activity in the legal framework is needed, in order to promote it as a distinct activity apart from sponsorship. In this context, it is important to increase the fiscal incentives for corporations and to recognize individual donations. On a practical level, it is essential to design easy and transparent procedures to make and receive donations, and claim tax return, including here business sector but hopefully individuals as well. It would overcome barriers in philanthropic activity, and increase transparency and data collection.

Development of sustainable CSR strategies as core part of business sector
Companies should invest in know-how and dedicated funds to empower their CSR structures and strategies in place. The CSR network should promote the existing good examples and encourage other companies to embed CSR strategies wisely. CSR network should be more proactive to enable exchange programs for Albanian companies, which could benefit from the best practices in the region and beyond. Public available strategies on CSR and corporate philanthropy, which are well design and specific in their objectives, will help POs to effectively approach business sector on common areas of interest.

Build bridges of partnership between POs and business sector
POs are an important partner to enable the business sector to realize their moral obligation towards customers and the community at large. POs have to become strategically proactive to build a relation of trust with the business sector. Before setting a collaboration, POs have to research more on the values, interests and areas of social responsibility of each business they seek to cooperate. Improving transparency and standards will make POs reliable partners to channel business donations and design philanthropic programs jointly.

Use of online and innovative tools
There is need to develop new and more demanding ways of interaction and fundraising such as online crowdfunding platforms, impact investment, etc., which are almost absent in Albania. The PO sector should invest more on these alternative tools, as a way to narrow their funding gap and fulfill their mission towards their beneficiaries. If the nonprofit sector builds a more trustworthy reputation and transparent relationship with the public and business sector, the use of these fundraising tools would be more effective.

Invest in research and data on philanthropy
There is a strong need about reliable data on philanthropic activity and its societal impact in Albania. Availability of reliable data will have multiple benefits from supporting advocacy efforts of the nonprofit sector, to informing legislative changes and education and research. Universities, research centers, think tanks and POs should engage in data collection, analytics and research in order to underpin the impact measurement of philanthropic landscape.
REFERENCES


