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**Community Philanthropy Watch:**  
**Europe 2004** **Results**

Community Philanthropy Initiative  
European Foundation Centre  
51, rue de la Concorde  
1050 Brussels  
tel.: +32.2.512.89.38  
fax: +32.2.512.32.65  
e-mail: [cpi@efc.be](mailto:cpi@efc.be)  
web: [www.efc.be](http://www.efc.be)

# Community Philanthropy Initiative of the European Foundation Centre: Community Philanthropy Watch: Europe 2004

## Executive Summary

The community philanthropy field in Europe is growing and developing fast. The Community Philanthropy Initiative (CPI) of the European Foundation Centre (EFC) gathers information about this growth for its annual mapping exercise – the Community Philanthropy Watch: Europe 2004. This material has great potential to assist the wide community philanthropy audience in Europe and abroad to grasp the recent developments of community philanthropy, offer a chance for comparison, and provide unique and valuable data and information.

The data for the survey were collected in early 2004, thus mapping the figures available in 2003 (and, when the fiscal year had not been finalised, in 2002). This mapping exercise was conducted by CPI for the third time in 2004, following its initial introduction in 2002 and follow-up in 2003. In all areas of community philanthropy organisation (CPO) development mapped by CPI, we are able to offer comparative data to support the picture of a fast developing field and demonstrate its growth.

The following countries participated in our research in 2004: Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Germany, the Netherlands, Ireland, Italy, Latvia, Lithuania, Poland, Russia, Slovakia, Turkey, United Kingdom and Ukraine. The figures used in 2003 for Hungary and Portugal were re-used this year, as no significant changes were reported.

The following pages will provide you with the account of the current growth and trends in Europe when it comes to the development of CPOs. This report looks at concepts and current numbers; financial and human resources; environment and challenges; as well as opportunities for future development.

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## About the Community Philanthropy Watch

A major role played by CPI is the follow-up of the developments in the field of community philanthropy, primarily in Europe, and the report on these to a wide network of organisations and partners. During May 2002, CPI conducted a 'Flash Survey' on the situation of community philanthropy in Europe. This survey was sent to all organisations that promote and support community philanthropy at national level in Europe. Fifteen European countries replied to our questionnaire and preliminary results were presented to participants at the CPI 5th Annual Networking Meeting, which took place June 1st – 2nd 2002 in Brussels, Belgium.

This was the first time a survey of this kind was conducted in Europe, resulting in some unique data on community philanthropy organisations. CPI repeated this successful experience in 2003 and conducted a survey mapping recent developments in the field of community philanthropy both in quantity and quality. The survey in 2003 was launched under a new name – Community Philanthropy Watch: Europe 2003 – and aimed to strengthen this new trend of collecting data on the growth of community philanthropy in Europe. The results of the survey were presented at the CPI 6th Annual Networking Meeting, which took place May 30th – 31st 2003 in Lisbon, Portugal.

During 2003, the CPI survey was developed into a more complex structure and was aligned with the Community Foundation Global Status Report – a global mapping exercise conducted by WINGS-CF (Worldwide Initiatives for Grantmaker Support – Community Foundations) – and focused on the recent growth of community foundations around the globe. The results of Community Philanthropy Watch: Europe 2004 are published in this report and for the first time introduced to a wide audience at the CPI 7th Annual Networking Meeting taking place May 28th – May 30th 2004 in Athens, Greece.

## Acknowledgements

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## About CPI

The Community Philanthropy Initiative (CPI) is a project led by members of the European Foundation Centre (EFC). CPI aims to strengthen organised philanthropy at local level in Europe and internationally, by building the capacity of community philanthropy organisations (CPOs) through promotion, knowledge and advocacy services, networking activities and technical assistance. For more information on CPI, visit the EFC website: [www.efc.be/projects/philanthropy/](http://www.efc.be/projects/philanthropy/)

CPI aims to:

- Strengthen existing CPOs and facilitate the establishment of new ones
- Build the capacity of emerging and established national community philanthropy support organisations and informal networks
- Increase awareness, knowledge and understanding about issues, trends, needs and opportunities affecting CPOs
- Promote and advocate on behalf of the community philanthropy movement to key target audiences in Europe
- Build a strong and sustainable European-level network of CPOs, national support centres, donors and other interested groups

## Brief Glossary of Terms

### Community Philanthropy

Community philanthropy is the act of individual citizens and local institutions contributing money or goods, along with their time and skills, to promote the well-being of local people and the improvement of the community in which they live and/or work. Community philanthropy can be expressed in informal and spontaneous ways such as citizens and local businesses helping other residents in times of crisis. Community philanthropy can also be expressed in formal and organised ways whereby citizens give contributions to local organisations which in turn use these funds to support projects that improve the quality of life in the local community on a permanent and long-term basis. These "community philanthropy organisations" serve as vehicles to nurture, sustain and enhance community development, and make it possible for individual citizens to have a larger impact at local level than acting alone.

### Community Philanthropy Organisations (CPOs)

CPOs collect, manage and redistribute donations from a wide range of local donors to meet critical needs and improve the quality of life in a specific geographic area. They can play a valuable role in helping communities address new and increasing social, economic and environmental needs, especially as conventional approaches prove less effective and funding from traditional sources decreases. This is done by mobilising new resources, involving citizens in local problem-solving and building partnerships between local businesses, local authorities and non-profit organisations. CPOs can be found in a broad range of organisational forms including community foundations.

### Community Foundations

A Community Foundation is an independent non-profit organisation which:

- Is formally set up as a foundation
- Supports activities within a specific geographic area (city, region)
- Supports a broad range of charitable activities improving the quality of life and the environment within a specific geographic area (city, region)
- Maintains an ongoing programme to attract new endowment funds by seeking donations from a wide range of potential donors in the community
- Uses funds that come from a broad range of sources
- Serves as a catalyst for positive changes in the community
- Has an independent governing body not appointed by a single entity and broadly representative of the public interest
- Builds its own endowment

## Other forms of CPOs

Community Giving Campaigns aim at stimulating individual giving to respond to local needs. This is the case of organisations such as United Way International and its many affiliates all over the world.

Philanthropic Civic Groups have been created in some countries with the purpose of engaging civil society in local decision-making, promote cross-sector partnerships and develop the capacity to raise local funds to address local needs.

Regional Corporate Funds pull together corporate resources for local giving aimed to help local NGOs and individuals in a variety of areas and issues (such as youth, women's issues, entrepreneurship, etc). The fund is anchored to a local development approach and is geographically well-defined.

## Endowment

A collection of funds, created for generating income, which will be used for charitable purposes (e.g. grants to local non-profit organisations). An endowment provides sustainability to the CPO and gives donors the guarantee that their donations will have a long-term impact and lasting effect in the community.

## Findings

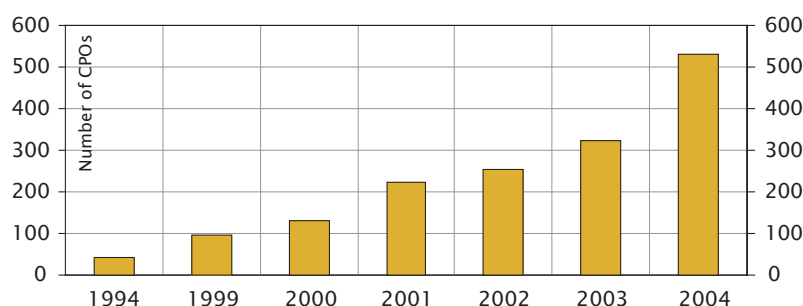
(Note: The figures provided in the following findings are relative, as not all the necessary data to give an absolute overview of the community philanthropy field in Europe was available. Due to the fact that the financial year has different implications in different countries, some of the figures date back to 2002, as opposed to figures made available from 2003.)

The growth in numbers and regions in Europe covered by CPOs, as well as the particular model of a community foundation (CF), support the view of a worldwide movement and community philanthropy being, today, the fastest growing and most dynamic area of philanthropy in Europe and globally. In the past decade, the concept of the community foundation has spread quickly beyond its original North American home and has developed into a unique international model, which inspires and assists the creation of a variety of CPOs in many countries worldwide.

During the past ten years we have encountered a substantial growth in Europe, both in terms of numbers of CPOs, as well as in the variety of countries and models concerned. Nothing illustrates this better than numbers: in 1994 there were some 30 CPOs in Europe, in 1999 there were close to 90, in 2000 this number had increased to over 130, in 2001 we have some 225 CPOs operating in the whole of Europe, in 2003 Europe exceeded the number of 300 and in 2004 we are aware of more that 530 CPOs existing in Europe. In comparison to 1994, when the majority of CPOs existed in the United Kingdom (the first continental European CF, the Healthy City Community Foundation, was founded in 1994 in the Slovak Republic), currently, community foundations and related models exist, or are under development, in at least 18 countries in Europe.

**Graph 1:**

Increase in number of community philanthropy organisations in Europe in the period from 1994 to 2004. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'



Many of the 532 CPOs that have been found to exist in 2004 are not full-fledged community foundations, but many of them aspire to be so in the near future no matter how "hybrid" some of their features and practices may be in comparison to the more well-established community foundations in North America. Based on the more traditional model of a CF, out of 532 CPOs, 209 are defined as CFs (compared to 194 in 2003 and 144 in 2002).

**Table 1:**

CPOs in Europe developed into different forms and structures and have integrated different features. The following table shows how support organisations in different countries describe their models of CPOs when compared to the model of a CF. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
<b>Very close to a CF</b>	5 countries out of 17	7 out of 17	4 out of 15
<b>Mixture</b>	10 out of 17	8 out of 17	7 out of 15
<b>Very different</b>	2 out of 17	2 out of 17	4 out of 15

It is this variety of models of CPOs that is a unique element in the community philanthropy movement in Europe. Community foundations and other concepts of CPOs adjust to different social, economic, and cultural environments and form organisations which individually match the needs of different communities and countries, thus contributing to the improvement of the quality of life, the environment, as well as the overall long-term sustainable development across Europe.

**Table 2:**

Increase in number of European CPOs and CFs, from 2002. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
<b>CFs</b>	209	194	144
<b>CPOs</b>	323	128	108
<b>Total</b>	532	322	252

When it comes to the model of the community foundation, countries such as the Germany (63 CFs), UK (62), Russia (17), Poland (17), Italy (14), and the Slovak Republic (11), are on the forefront of the movement in Europe. Other countries include: Lithuania with 6 CFs, Bulgaria: 4, Ukraine: 3, Estonia: 2, Latvia: 2, Belgium, Bosnia and Herzegovina, Croatia, Czech Republic, France, Ireland, and Portugal, all with 1 CF. Finally, there is a cross-border community foundation named Carpathian Foundation in the Carpathian region, which includes parts of Hungary, the Slovak Republic, Poland, Romania and Ukraine.

**Table 3:** Year of establishment of the first community foundation in different countries across Europe. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

Country	Foundation	Year
United Kingdom	Dacorum Community Trust	1976
Northern Ireland	Community Foundation for Northern Ireland	1979
Slovak Republic	Healthy City Community Foundation	1994
Portugal	Foundation for the Community Development of Alverca – CEBI	1995
Germany	Community Foundation of the City Gütersloh	1996
Czech Republic	Community Foundation of Ustí nad Labem	1998
Poland	Snow Mountain Community Foundation	1998
Russia	Togliatti Community Foundation	1998
Lithuania	Papile Neighbourhood Support Foundation	1998
Italy	Community Foundation of the Province of Lecco	1999
Romania	Community Foundation Sibiu	2000
Croatia	Foundation Runovici	2000
Ireland	Community Foundation for Ireland	2001
Belgium	Central & South West Flanders Community Foundation	2002
Estonia	Viljandi County Community Foundation	2002
Bosnia and Herzegovina	Simin Han Community Foundation	2003
Latvia	Talsi Region Community Foundation	2003
Ukraine	Princes Ostrozhski Foundation	2003

By comparison, in the US, where the first ever community foundation was founded in 1914 in Cleveland, Ohio, the number of CFs at the end of 2002 reached 661 (Source: The Foundation Centre, 'Foundation Growth and Giving Estimates', 2004).

## Endowment & Other Funds

Wherever you look, most of the CPOs and especially community foundations are about planning ahead and addressing issues at local level on a long-term basis. A permanent endowment allows a community foundation to evolve with the community and to be there at all times giving the right response. An endowment provides sustainability to the community foundation and gives donors the guarantee that their donations will have an impact in the future.

It is important to say that the lack of an endowment is not contrary to the principles that underpin the work of a community foundation. We have been witnessing it in Europe, where many community foundations have a small or no endowment but still have a significant impact at local level, providing their communities with extra resources via their flow-through grants (i.e. grants obtained by the foundation and spent in their totality on selected projects).

There are other models of CPOs (e.g. United Way) that do not focus on endowment building and are also successful in bringing social change to their communities. Nevertheless, CPI believes in the importance of endowments because of the freedom it provides to community foundations. An endowment allows any foundation to truly decide what to do, where to invest, which grants to make. It also allows a truly long-term local development strategy, which is no small achievement.

According to the most recent available numbers, in 2004, some 194 (out of 209 existing CFs) are currently building their endowment. The total endowments in 2004 represent 280.526.519 euros. This amount increased slightly in comparison to the previous year (2003), representing a gain of



over 8 million euros or 3 percent; in comparison to 2002, it grew by about 24 percent (some 53 million euros).

**Table 4:** Number of community foundations in Europe building an endowment, total of the endowment, and differences in growth. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
Number of CFs building endowment	194	143	109
Total endowment in euros	280.526.519	271.972.338	218.953.262
Year difference	+ 8.554.181	+ 53.019.076	Not available

The top three countries in Europe where the total of CFs' endowments are the highest are the United Kingdom (110.945.679 euros), Italy (105.500.000 euros) and Germany (24.000.000 euros).

A comparative figure from the US shows 29.772.000.000 USD (24.740.909.218 euros) as the total of CFs' (661) endowment. The assets of US community foundations decreased 1.7 % in 2002, following a 0.5 % decrease in 2001.

The top US community foundation in terms of endowment is the New York Community Trust with 1.550.847.559 USD (1,288,238,703.85 euros). Source: The Foundation Centre, 'Foundation Growth and Giving Estimates', 2004.

#### Size of the largest endowments as provided by 12 European countries (in euros):

Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

30.748.688	Community Foundation serving Tyne & Wear and Northumberland, UK
14.539.487	Community Foundation of the Province of Lecco, Italy
4.200.000	Community Foundation for Ireland, Ireland
3.500.000	Gütersloh Community Foundation, Germany
935.141	Community Foundation of Usti nad Labem, Czech Republic
630.256	Togliatti Community Foundation, Russia
475.788	Healthy City Community Foundation, Slovak Republic
400.000	Central & South West Flanders Community Foundation, Belgium
319.489	Viljandi County Community Foundation, Estonia
62.315	The Raciborz Community Foundation, Poland
1.023	Simin Han Community Foundation, Bosnia and Herzegovina
379	Talsi Region Community Foundation, Latvia

## Sources of Funding

CPOs collect contributions from a variety of sources and donors. They focus on a diversity of donors and resources, thus involving as many contributors as possible. It is important to say that gifts to a CPO do not necessarily include only financial contributions but also equities, bonds, property or in-kind services. Another relevant point is that CPOs attempt to attract gifts of any size – small and seemingly not important donations are as central to a CPO's success as large gifts. In general, it is also the number of contributors that counts, as opposed to only the total of collected gifts.

The data provided by European CPOs prove that there is a strong and prevailing tendency to secure resources directly from the community where CPOs operate – either from local businesses, individuals or local government. These are major contributors when it comes to raising resources to increase the endowment, and covering the grantmaking costs and programme costs. The role of international, mainly US-based, foundations still remains strong when it comes to providing partial resources for operating costs, programme and grants. This is especially true in Eastern and Southern European countries.

The following list provides the top three contributors to various costs connected to the operations of European CPOs, as well as a comparison with the results from previous years. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

#### **Sources for endowment**

2004: individuals, local businesses, other sources (special events, campaigns, etc)  
 2003: local business, individuals, local government  
 2002: local business, individuals, local government

#### **Sources for grants**

2004: individuals, local businesses, international foundations (US)  
 2003: local business, individuals, local government  
 2002: local business, individuals, local government

#### **Sources for operating costs**

2004: international foundations (US), local government, corporations (national)  
 2003: local/national government, int. foundations, fees/income from investment  
 2002: international foundations, fees from funds, income from investment

#### **Sources for programme costs:**

2004: local government, individuals, international foundations (US)  
 Comparison with previous years not available; question introduced only in 2004.

## **Grantmaking & Projects**

CFs use the interest from their investments and other resources (flow-through grants, donations and fundraising campaigns) to make grants and to operate programmes that respond to the needs of the community. Grantmaking is an important feature of community foundations, more so because community foundations do not concentrate their action on a single field of interest but, instead, support any project or programme, which can promote community development and the improvement of the quality of life in the community.

Some European CFs and other forms of CPOs (less than 20% in total) are, for the time being, only operating foundations. In fact, most CPOs, including CFs in Europe have a strong operational component – they initiate, manage or supervise their own projects and programmes for the benefit of the community; many simultaneously combine their service delivery with some form of grantmaking activity – some 50 % of CPOs in Europe represent this trend. It must be said, however, that most European CPOs and community foundations are also grantmaking entities (some 80% in total).

**Table 5:** Character of European CPOs in terms of grantmaking versus running own projects and programmes. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
Mainly grantmaking	31%	30%	33%
Balanced grantmaking and own projects	51%	35%	33%
Mainly own projects	18%	35%	27%

Projects and programmes initiated by community foundations and other CPOs are usually the result of in-depth consultation with other relevant community agents and may also be developed in partnership with other people and institutions. This allows the integration of different opinions and perspectives in the overall activities of the foundation, enriching its vision of local development with multiple inputs. An operating CPO can thus play a catalyst role in the community by, for instance, taking the initiative of bringing certain organisations together to discuss a project that is particularly important for the foundation and stimulating those same organisations to work together on its implementation.

**Table 6:** Expenditure in giving by European CPOs divided into grantmaking and running own projects. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
Grants expenditure	76.179.588	52.791.165	40.707.110
Project expenditure	1.214.231	749.701	102.139
Total expenditure	77.393.819	53.540.866	40.809.249

CFs' giving (in grantmaking) increased from 2002 by some 23.3 million euros (40%). In 2003, there were some 17.673 grants given by European CFs which represent over 76 million euros. Apart from this, European CFs invested some 1.2 million euros in projects. The increase in CFs giving from 2002 also represents some 30% (12 million euros). Together with investment in projects, European CFs in 2002 gave away some 53.5 million euros.

In the U.S., CFs from all other types of foundations were the only ones to increase giving (by an estimated 1.5 % in 2003, following a 5.1 % rise in 2002). The total giving of U.S. CFs in 2002 represents 2.526.000.000 USD (2,100,306,631 euros). In 2001 it was 2.403.000.000 USD (1,998,134,425 euros). Source: The Foundation Centre, 'Foundation Growth and Giving Estimates', 2004.

**Table 7:** Grantmaking by European CPOs in terms of number of grants made and their value in euros. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'. Note: includes estimated figures from Bulgaria, Czech Republic and Lithuania, as accurate results were not available

	2004	2003	2002
Number of grants given	17.673	5.079	Not available
Worth in euros	76.179.588	52.791.165	Not available

Grantmaking CPOs usually distribute small to medium-sized grants to a large number of local initiatives and NGOs in order to support the development of grass-root activities in their communities. In many countries, CPOs support not only registered NGOs but also informal groups of citizens.

Small grants may start at some 28 euros (in Russia); in general, they go from 198 euros to 2.360 euros (or as much as 5.000 euros in Germany). Medium-sized grants go from 3.723 euros to 8.060 euros.

## Staff & Volunteers

With regards to human resources, one can conclude that as the perception of the stage of development of CPOs seems to grow and there is an increasing number of developed and well-established CPOs, the same trend can be observed in a growing number of people employed by CPOs and increasing number of volunteers performing a variety of tasks connected to CPOs. European CPOs are becoming more professional also in terms of employing more full-time staff members and securing resources to cover the further development of human resources.

**Table 8:** Maturity of CPOs in Europe as assessed by their support organisations and structures. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	2004	2003	2002
Well-established	31%	18%	27%
Established	44%	26%	20%
Start-up phase	25%	56%	53%

**Table 9:** Growth in the number of paid employees and volunteers assisting CPOs in Europe between 2002 and 2004. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'

	Ratio between staff and volunteers	Number of employees	Number of volunteers	Function of volunteers
2004	Mainly volunteers and few staff	2 paid staff members	10 to 20 volunteers	board members, in different committees or assist with other tasks
2003	Mainly volunteers and few staff	1 to 2 paid staff members	5 to 10 volunteers	board members, in different committees or assist with administrative tasks
2002	Mainly volunteers	1 paid staff member	1 to 5 volunteers	board members, in different committees or as external advisors

## Governance

In order to have in-depth knowledge of the area served (e.g. needs, opportunities, main local players, levels of wealth, etc.), a CF must be inclusive, as well as involve all kinds of people and institutions in its activities. The governing body, or bodies, of a CF represent the community in its diversity.

The following list introduces the average composition and character of the board of a European CPO. This characteristic has not changed over the past three years, when CPI was collecting data from European CPOs. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

- Consists of 5 – 13 members
- Board members are connected to foundation from its start-up phase, or are nominated by existing/former board members
- They come from NGO or business background
- Their voluntary performance is considered as 'being involved'
- Their involvement in fundraising activities consists of providing contacts and personal involvement in meetings and campaigns
- They have opportunities to be educated in various workshops/seminars organised by support organisations

## Legal and Fiscal Environment

Lack of appropriate and/or encouraging legislation in the countries surveyed to support the development of CPOs, as well as the growth of giving fuelled by different legislative measures, still remains as one of the major obstacles faced by European CPOs. Only in 50% of the countries included in CPI research do CPOs describe their legal and fiscal environment as favourable. Furthermore, in some countries the minimum capital required to establish a foundation is very high, which can have a discouraging effect when founding a CF. On the other hand, in many countries this is a significant tool used to differentiate among various forms and missions of organisations. While a variety of CPOs can take different legal forms (civic association, etc), the CF model, which uses the endowment as a means to exist in perpetuity, fulfils more easily this legal requirement.

In most of the countries across Europe, CFs and other legal forms of CPOs can perform different economic/commercial activities with the purpose to increase their income. From the fiscal point of view, in over 80% of countries corporate or individual donors to CPOs enjoy either moderate or significant tax benefits regarding their contributions.

It seems that it is neither the presence nor absence of fiscal incentives to motivate donors in general, rather it is the legal environment securing operations of foundations and CPOs (establishment, commercial activities and investment laws) that limits or slows down the development of CPOs and CFs in some countries.

There are also a number of encouraging developments when it comes to the legal and fiscal environment in which CPOs operate. One of the newer tax incentives introduced in some of the Central and Eastern European countries is a one percent law, giving rise to "percentage philanthropy". This term refers to legal mechanisms that allow taxpayers to allocate a certain percentage of their previous year's paid income tax to beneficiaries entitled to receive such funds. By the spring of 2003, percentage type laws had been adopted in four countries in Central and Eastern Europe: Hungary, the Slovak Republic, Lithuania and Poland. At the end of 2003, Romania became the fifth country to adopt a percentage provision. The legal framework and mode of operation of the percentage laws differ in each country. The number and types of beneficiaries also vary but largely include NGOs carrying out public benefit activities.

The Hungarian 1% Law introduced in 1996 has served as a model to other countries in the region. In 2002 and 2003 individual taxpayers in the Slovak Republic were able to assign 1% of paid income tax to NGO beneficiaries. Amendments to the Slovak Republic's Income Taxes Act in 2003 have increased the portion of tax individual taxpayers can allocate to an eligible NGO to 2%, applicable from 2004 onwards. The changes also mean that a new element in the Slovak Republic's percentage system – the allocation of corporate tax by companies to eligible NGOs – starts at the new 2% level in 2004. The Slovak "2% from companies" is unique in Central and Eastern Europe.

Percentage laws allow taxpayers a direct say in the distribution of state funds. In the context of countries that have emerged relatively recently from communist rule, percentage laws also promote the revival of good citizenship and awareness of the third sector. In Central and Eastern Europe where average earnings are low and the financial background of NGOs is fragile, percentage laws are especially relevant because they generate a much needed revenue for NGOs and other types of organisations serving the public good; encourage a new form of "giving" by the tax-paying public without loss of personal income; and educate the general public about this form of philanthropic behaviour.

For a CPO, such a law can have an immense impact on raising its financial resources. It is a new and helpful tool which serves to address a number of citizens for contribution and make them more involved even if they previously did not consider giving to non-profit organisations. It offers people with a low income the means of giving to charitable causes at no extra cost for themselves. This fiscal tool also promotes accountability and transparency among NGOs and encourages cooperation among the non-profit and public sectors. Finally, on a more individual level, it also allows organisations to get some feedback on their activities and effectiveness of their work.

The following example from the Slovak Republic serves to illustrate these statements. If all taxpayers made use of the 1% system, the potential income generated for the sector in 2002 could be in the range of 300 million SKK (about 7 million euros). The actual transfer in the first year of operation (2002) totalled 101,882,272 SKK (about 2.5 million euros).

A majority – 63% of those who assigned 1% in 2002 – supported NGOs in the region where they live. The second most supported organisations (with some 20%) were NGOs that are active nationally. People assigning their 1% mainly supported organisations active in their communities that they knew and trusted. Out of the total amount gained by this legal provision, almost 500.000 SKK were assigned to Slovak community foundations.

This background information was made available due to the Percentage Philanthropy Project managed by the Non-profit Information and Training Centre (NIOK) in Hungary. This project, in cooperation with a number of international partners, aims to analyse and disseminate the different lessons learned and results achieved in the different countries during the process of developing and implementing percentage laws, including the various methods of lobbying, implementation and campaigning.

The figures were compiled from draft papers for a study on the percentage laws of Hungary, the Slovak Republic, Lithuania, Poland, and Romania, presented at the Percentage Philanthropy Conference on 19–20 January 2004 in Budapest, organised by the Non-profit Information and Training Centre (NIOK).

## Achievements, Obstacles & Challenges

When it comes to the growth of community philanthropy and its institutional forms in Europe over the past year, it is worth mentioning that apart from the quantitative growth, which can be measured by the number of newly established community foundations and other types of CPOs, there has been a number of achievements as far as the growing maturity of the field is concerned.

As is clear from the information provided by the respondents of the Community Philanthropy Watch: Europe 2004, the major achievement observed at the national level is not only the growth in numbers of CFs but especially the raising awareness of the CF concept among various audiences, which (apart from the growing understanding and support for the concept) can be measured by the rising financial support for community philanthropy and foundations. The feedback from communities is growing not only in terms of more financial donations, but also when it comes to greater personal involvement, volunteer service, applications for grants and cooperations with other organisations and the public sector on local, national and international levels.

Among the most important achievements in the field when it comes to professional growth is the establishment of a number of networks or associations on a national level. Namely the Slovak Republic, Poland and Russia founded associations of community foundations that facilitate the development of CFs in their respective countries, and provide assistance and platforms for exchange of knowledge, experience and information. Furthermore, a variety of services, trainings and other activities assist the progress in the field.

The major obstacles to the development of CPOs, as provided by the Community Philanthropy Watch: Europe 2004 respondents, have not altered much from 2003. All key obstacles faced by CPOs in Europe are connected to financial resources – or rather to the lack thereof. This results either from an underdeveloped culture of giving or supporting charitable causes (which is especially true in the case of the Central and Eastern European region) or, in some instances, also from the de-motivating legal and fiscal environment, which affects both operations of CPOs and receiving donations.

This issue is of importance especially among CFs. Wherever you look, CFs are about planning ahead and addressing issues at local level on a long-term basis. A community cannot be built in a year or two, or twenty, or fifty – a community is an evolving entity that changes with time. A permanent endowment allows a CF to evolve with the community and to be there at all times giving the right response.

Across Europe, however, the number of CFs with a small or virtually no endowment exceeds those that can rely on the income of the endowment to provide resources to cover the core costs of a CF. It remains difficult to look at sustainable performance by securing resources for their core costs while going through the slow process of endowment building; and it is important to look at what alternatives exist to endowment building. Therefore the main challenges for the future development of CFs and CPOs in Europe revolve around sustainability, in terms of both financial and human resources.

This fact has also led CPI to bring this issue up as its main theme for the 7th Annual Networking Meeting in Athens this year, to be held from May 28th to May 30th 2004. The theme of this year's meeting is "The Rocky Road to Sustainability".

The following list sums up the main achievements as reflected by CFs and their support organisations in Europe in 2004. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

- Raising awareness of the CF concept and community philanthropy on local and national level, and the number of new CFs
- Having received support from the community, showing that the CF concept had been well rooted in the community
- Creation of different partnerships and new co-operations (namely some national associations of CFs)

The main obstacles faced by CFs in 2004 are summarised in the following list. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

- Lack of financial resources
- Lack of culture of giving in most of the countries
- Lack of appropriate or encouraging legislation

The main challenges for the future as assessed by European CFs and their support organisation follow. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2004'.

- Financial sustainability of the organisation
- Raising trust and visibility in the community
- Establishment of more CFs

While in 2003, the above achievements, obstacles and challenges were characterised as follows. Source: The CPI of the EFC, 'Community Philanthropy Watch: Europe 2003'.

**Achievements:**

- growth of the movement
- growing interest of donors
- forming of associations on national level

**Obstacles:**

- legal and fiscal environment
- dependence on external support
- lack of trust, public apathy, lack of community philanthropy traditions

**Challenges:**

- organisational development
- raising the profile/trust/credibility
- sustainability

This report aimed to introduce the overall situation in Europe with regards to community philanthropy development in Europe. For the individual country reports visit CPI's website at: [www.efc.be/projects/philanthropy/](http://www.efc.be/projects/philanthropy/)



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EFC, 51, rue de la Concorde, 1050 Brussels, Belgium.

tel.: +32.2.512.8938 o fax: +32.2.512.3265 o e-mail: [efc@efc.be](mailto:efc@efc.be)

web: [www.efc.be](http://www.efc.be), [www.fundersonline.org](http://www.fundersonline.org), [www.europeintheworld.info](http://www.europeintheworld.info)