



**LILLY FAMILY
SCHOOL OF PHILANTHROPY**
INDIANA UNIVERSITY

The 2025 Global Philanthropy Environment Index: Western Europe Regional Report

Regional Reviewer:¹ Prof. Michael Meyer²

Edited by the Indiana University Lilly Family School of Philanthropy

SUMMARY

The philanthropic environment in Western Europe between 2021 and 2023 has seen significant shifts, largely influenced by the COVID-19 pandemic, political and economic instability, and legislative reforms. One major change has been the increased collaboration between philanthropic organizations (POs) and governments, particularly in crisis response, as evidenced by swift government support like Austria's creation of a nonprofit fund. Additionally, the pandemic accelerated the adoption of digital giving platforms and increased demand for unrestricted funding, fostering greater flexibility in how POs operate. The region also experienced a record surge in donations for Ukraine relief efforts in 2022, underscoring the region's commitment to international humanitarian causes.

Key legislative changes, such as Austria's Public Benefit Reform Act of 2023, have also shaped the sector, simplifying regulations for nonprofits and expanding tax-relief eligibility for donors. However, challenges remain, including economic pressures from inflation and geopolitical tensions, particularly from the war in Ukraine, which affected both giving patterns and the economic environment. Emerging trends such as the growing emphasis on climate change philanthropy and the use of Artificial Intelligence (AI) are reshaping the nonprofit landscape, while concerns about declining democratic freedoms and increasing nationalism in some countries pose risks to civic space and nonprofit operations.

Overall, the philanthropic environment has evolved to be more dynamic and collaborative, though challenges like economic inequality and political restrictions continue to impact the sector.

¹ Authors of the 2025 *GPEI* report are providing updates to the 2022 *GPEI* report, and regional reports may not reflect the views of the country experts.

² WU Vienna (Vienna University of Economics and Business)

Table 1: Regional Level Trends Between 2021–2023

Ease of operating	Tax incentives	Cross-border philanthropic flows	Political environment	Economic environment	Socio-cultural environment	Overall
Stable	Stable	Stable	Mixed	Mixed	Mixed	Stable

Source: Indiana University Lilly Family School of Philanthropy, 2025 *Global Philanthropy Environment Index*

KEY FINDINGS

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

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

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

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

- Registration of philanthropic organizations (POs) is generally accessible and straightforward across the region, with clear legal frameworks and diverse legal forms such as associations, foundations, and charitable companies.
- Minimum capital requirements vary, with some countries allowing low or no capital for associations, while others, like Liechtenstein and Switzerland, require substantial capital for foundations.
- Most countries permit foreign individuals or entities to establish POs with minimal barriers.
- Digitalization of registration processes is improving in several countries, enhancing accessibility.
- POs enjoy significant freedom to operate with minimal government interference, provided they comply with anti-money laundering, tax, and other legal requirements.
- Simplified reporting is available for smaller organizations in some countries, though transparency and accountability remain essential across the region.
- Collaboration with governments is common, often in the form of funding or legislative consultation, though some countries impose stricter controls on political activities by POs.
- Voluntary dissolution is typically straightforward and governed by clear legal procedures.
- Involuntary dissolution by government authorities is rare and occurs only in cases of severe legal violations.
- Legal frameworks across the region mandate that remaining assets of dissolved POs must continue to serve nonprofit or public-benefit purposes, ensuring alignment with their original mission.

II. Domestic Tax and Fiscal Issues

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

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

- Most countries in Western Europe provide tax deductions or credits for individual and corporate charitable donations, typically capped at a percentage of taxable income (e.g., 10–20% for individuals or corporations).
- Mechanisms, like the UK's Gift Aid or France's income tax reduction, offer additional benefits for donors, though some systems remain complex and require administrative effort.
- POs receive significant tax exemptions across the region, including exemptions from corporate income tax, capital gains tax, and inheritance or gift taxes.
- Eligibility is generally contingent upon achieving public-benefit status, with clear but sometimes stringent qualification criteria.
- While the process for claiming tax benefits is generally well-defined and transparent, variations in criteria, such as the percentage of donations deductible, create discrepancies in accessibility and ease across countries.
- Efforts are ongoing in some regions to streamline processes, such as universal declarations for gift aid or better alignment between national authorities on charitable status.

III. Cross-Border Philanthropic Flows

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

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

- Tax incentives are often limited to domestic donations, with some exceptions for recognized entities within the European Economic Area (EEA).
- Challenges arise for donors and POs regarding mutual recognition of tax-exempt statuses for cross-border donations, though some initiatives like Transnational Giving Europe help address these barriers.
- Most Western European countries allow individuals and organizations to send cross-border donations without significant government interference or additional taxes.
- Tax incentives for cross-border donations are often limited, primarily restricted to donations sent within the EEA or other recognized jurisdictions. Some countries require intermediaries, such as Transnational Giving Europe, to facilitate tax-deductible donations.
- Anti-money laundering (AML) and counter-terrorism financing (CFT) rules apply, requiring compliance with reporting standards for large or foreign donations.
- Regulations for receiving cross-border donations are generally favorable, with no additional fees or taxes imposed in most cases.

- Countries like Switzerland and Liechtenstein act as hubs for cross-border philanthropy due to their tax-efficient frameworks and high levels of international donations.
- Limited mutual recognition of tax-exempt statuses among jurisdictions outside the EEA creates administrative barriers for cross-border philanthropy.
- The role of intermediaries and networks like Transnational Giving Europe has grown, offering solutions to overcome regulatory and fiscal challenges.
- Some countries are modernizing policies to facilitate easier cross-border flows, enhancing international giving and receiving capabilities.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

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

- Governments in most Western European countries maintain a positive stance toward philanthropy, supporting its role in addressing societal needs. Examples include Ireland's National Policy on Philanthropy and Switzerland's framework that fosters active government-philanthropy dialogue.
- Partnerships for funding and legislative consultation are prevalent, though the degree of engagement varies by country.
- The philanthropic sector operates with significant independence and minimal government interference in most countries. However, regulatory challenges such as AML laws and restrictions on political advocacy can impact specific organizations.
- Political activities of nonprofits are often closely scrutinized, with concerns over restrictive definitions of acceptable advocacy, as seen in Ireland and the UK.
- The sector benefits from political stability in countries like Liechtenstein and Switzerland, where philanthropy is actively promoted as part of national strategies.
- However, in some regions, the philanthropic landscape is affected by broader political trends, such as debates over freedom of expression and civic freedoms in the UK.
- The balance between fostering philanthropy and enforcing regulatory measures remains a central theme. Advocacy for improving civic freedoms and increasing transparency in government-nonprofit interactions is ongoing.
- Policy improvements are needed in certain countries to align with global best practices and expand the societal role of philanthropy.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- Western European countries generally maintain high levels of economic stability, which supports philanthropic activities. Strong economies like Switzerland and Liechtenstein benefit from steady growth, low unemployment, and favorable conditions for private and corporate giving.
- The economic environment has been challenged in some areas by rising inflation, energy costs, and geopolitical tensions (e.g., the war in Ukraine), which have influenced donation levels.

- Despite economic challenges, such as inflation and the COVID-19 pandemic, philanthropic donations have remained strong in countries like Austria, Switzerland, and Germany. Temporary dips in donation amounts were observed but have not significantly weakened the sector.
- The economic context includes robust support for innovative philanthropy, such as venture philanthropy and impact investing. Many countries host institutions offering certifications, research, and training, particularly in regions like Switzerland.
- Economic inequality poses a moderate challenge, as seen in the UK, where a cost-of-living crisis has reduced disposable income for charitable giving. However, high economic freedom continues to provide opportunities for institutional philanthropy.
- In some regions, increasing state debt due to the pandemic has yet to affect philanthropy significantly but may pose risks in the future.
- Businesses are actively participating in philanthropy, often establishing corporate foundations. Economic policies in countries like Liechtenstein encourage companies to embrace their social responsibilities and support the nonprofit sector.

VI. Socio-Cultural Environment

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

- Western Europe has strong philanthropic traditions, deeply rooted in historical, cultural, and religious values, particularly in Switzerland and Liechtenstein, where giving and volunteering are integral to society.
- Countries like Austria, Belgium, and France recognize philanthropy as complementary to government welfare systems, though reliance on private giving varies.
- POs are widely trusted and perceived as essential contributors to societal well-being. Public recognition of their importance increased during the COVID-19 pandemic, particularly in sectors like health and social services.
- Surveys indicate stable or growing recognition of the role of philanthropy, with younger generations demonstrating higher engagement in countries like Belgium and Switzerland.
- Volunteering rates are high across the region, with many citizens participating in POs or community initiatives. For instance, about one-third of the population in Liechtenstein engages in voluntary work.
- Infrastructure for promoting volunteering, including referral centers, is expanding in countries like Germany, supporting long-term engagement.
- Cultural perceptions of philanthropy as a complement to, rather than a replacement for, government responsibilities remain a limitation in some areas, such as Austria.
- The sector faces resource constraints, including financial and staffing challenges, despite the increasing public and governmental acknowledgment of its role.

VII. Climate Change and Philanthropy

Please provide a brief summary of the role of philanthropy as it pertains to climate change.

- Funding and attention by philanthropic organizations are generally balanced between climate change mitigation (e.g., reducing emissions via renewable energy projects) and adaptation (e.g., urban green infrastructure and disaster resilience measures). However, some countries prioritize adaptation due to immediate needs.
- Domestic funding, particularly from governments and corporate/business sectors, is the most significant contributor to climate-related philanthropy. Individual charitable giving and nonprofit foundations also play critical roles but are secondary compared to corporate and government contributions.
- International funding is relatively limited but present, especially through nonprofit foundations and governmental channels.
- Legislative hurdles, political opposition, and insufficient public funding for environmental projects are common barriers across the region.
- Climate change denial and limited general education about climate policies among the public hinder the effectiveness of philanthropic and nonprofit efforts.
- Engagement of the private sector and philanthropic organizations in environmental initiatives is actively encouraged by governments in many countries.
- The philanthropic sector is gradually adopting sustainable investment policies aligned with environmental and social governance (ESG) principles.
- Significant gaps remain in funding both mitigation and adaptation efforts, with resistance from populist movements and systemic challenges impacting long-term progress.
- A lack of comprehensive data and studies on climate philanthropy activities hinders coordinated action and policy development in some countries.

VIII. Emerging Trends in Philanthropy

What major events prompted philanthropic responses, and what sources of funding addressed them?

- COVID-19 pandemic: This led to increased collaboration between philanthropic organizations (POs) and governments. Key funding sources included government programs (e.g., Austria's nonprofit fund) and private donations, often facilitated through digital platforms.
- Ukraine crisis (2022): Individual donations reached record levels, driving significant philanthropic activity for humanitarian aid.
- Public benefit reforms: Several countries (e.g., Austria) implemented legislative changes like the Public Benefit Reform Act of 2023 to improve the operational environment for POs. These initiatives were supported by a mix of government funding, corporate contributions, and charitable donations.

What are the main lasting innovations or impacts in the nonprofit sector and philanthropy in response to the COVID-19 pandemic?

- Digitization: The rise of online and digital giving platforms significantly changed donor engagement.
- Flexibility in funding: More private funders offered unrestricted or less restricted funding to enable agile responses.
- Sector collaboration: Partnerships between POs and governments improved, setting a precedent for future joint efforts in crises.
- Support for vulnerable populations: Mental health support for younger generations and other vulnerable groups became a priority.

What issues or trends are emerging as significant to the nonprofit sector and philanthropy?

- Adoption of technology: AI and other digital tools are becoming critical for efficiency and donor engagement.
- Focus on climate change: Environmental conservation and climate action are increasingly central to philanthropic agendas.
- Democratic challenges: Trends like rising nationalism and declining democracy pose risks for the independence of the nonprofit sector.
- General distrust: There's a growing need for transparency as distrust in institutions impacts philanthropy.

REFERENCES

OpenAI. (2024). *ChatGPT* (Nov 23 version) [Large language model]. <https://chat.openai.com/chat>