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INDIANA UNIVERSITY
Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Region Report: Balkan Countries

Regional Reviewer: Indiana University Lilly Family School of Philanthropy

SUMMARY

The Balkan Countries had a moderately favorable environment for philanthropy, with a regional overall score of 3.64 and no major changes observed in 2018–2020. Across the region, the regulatory environment for forming and operating a philanthropic organization (PO) remains favorable, with consistent regulations and clear guidelines. Tax policies for giving and receiving charitable contributions, however, show a need for improvement as the administrative processes are often burdensome, requiring moderate time and resources. The environment for cross-border philanthropic flows remains positive; there are no restrictions on cross-border giving in the region, but tax incentives might be limited for sending or receiving cross-border donations. The relationship between governments and POs has become less supportive in many countries due to a decreasing level of public funds, government attacks towards human rights organizations, a decreasing level of transparency, or a general lack of promoting philanthropy. Due to the COVID-19 pandemic, countries in the region experienced an economic slowdown, which in turn impacted the economic environment for philanthropy. POs, however, have continued to help their communities—often with reduced funding. The future of philanthropy is promising in the region, nonetheless; country experts anticipate more involvement from individual and corporate donors, an increasing use of online giving, and a greater number of formal and informal networks that can further enhance philanthropy at the national and regional levels.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Stable	Stable	Stable	Mixed	Negative	Stable	Stable

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

KEY FINDINGS

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

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?

- Across the region, rules and regulations on creating, operating, and closing POs are consistent and clear.
- Albania, however, introduced a new anti-money laundering and anti-terror financing law in 2019. Law No. 33/2019 deemed POs as at-risk for money laundering and financing of terrorism, requiring them to conduct risk assessments to avoid excessive government oversight.
- Overall, throughout the region, there have been very few changes in operating a PO since the 2018 *Global Philanthropy Environment Index*.

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?

- In most of the countries in the region, the process of receiving tax benefits for charitable donations is clear and consistent, but often burdensome, requiring moderate time and resources.
- Some countries such as Croatia, Kosovo, North Macedonia, and Montenegro offer tax exemption for both individual and corporate donations. Others such as Albania, Bosnia and Herzegovina, and Serbia only offer tax deductions for corporations or individual entrepreneurs; individuals or corporations only receive tax deductions for donations to POs that are engaged in certain types of public benefit purpose determined by law.
- Albania implemented a new regulation which allows a 5 percent tax deduction for any monetary or immovable property donations when a natural disaster emergency is declared. These donations, however, qualify for tax deduction only when given to the state treasury and not when donated to a PO.
- In most of the countries, POs receive tax-exempt status if they engage with public benefit activities, except Montenegro, where tax policies allow any PO to be the recipient of tax-exempt donations.
- Overall, the Balkan Countries region do not observe any major changes in their tax system regarding the making or receiving of charitable contributions.

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?

- In the Balkan Countries, there are no restrictions on cross-border donations; however, tax incentives are limited, and costs of bank transactions are registration procedures may vary for sending or receiving cross-border charitable contributions.

- In many countries, cross-border donations are not eligible for tax deduction. However, in Kosovo, in-kind charitable donations sent by POs can be eligible for value added tax exemption, and in North Macedonia, cross-border donations to natural or humanitarian disasters are tax-deductible.
- POs in the Balkan Countries region can receive cross-border donations without any restrictions and often enjoy similar tax incentives to receiving domestic charitable contributions. In 2019, new amendments allowed all funding going to POs to qualify for VAT exemption in Albania.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

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

- In the Balkans region, most countries—except for Kosovo—observed a slight decrease in the political environment for philanthropy.
- The relationship between country governments and POs seems to be more fragile in the region. In Albania and Montenegro, cooperation, decision-making, and funding processes have become less transparent. In Serbia, the tension between the government and human rights organizations has increased. The commitment towards promoting philanthropy has showed a decrease in North Macedonia, and it is missing in in Bosnia and Herzegovina.
- In countries such as Albania and Serbia, public funding allocated to POs has significantly decreased in part due to the COVID-19 pandemic, while in Kosovo and Montenegro, the financial environment for POs has improved.
- Some countries such as Kosovo, North Macedonia, and Serbia implemented new strategies and action plans to enhance civil society that provide opportunities to further improve the political environment for philanthropy.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- Overall, countries in the region have struggled to successfully develop their economies, due to issues such as mismanagement, corruption, and high unemployment.
- In addition, the COVID-19 pandemic – and natural disasters such as the 2109 earthquake in Albania and the 2020 earthquakes in Croatia – exacerbated these problems and hindered the slowly improving economic conditions that countries started to see which has further decreased the space for philanthropy.

VI. Socio-Cultural Environment

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

- The tradition of philanthropy and solidarity in the Balkan countries is founded on core societal values and diverse religious beliefs. People in the region show a very strong sense of solidarity and give readily within their communities.
- Donors in the region seem to have limited understanding of POs, and trust towards institutional philanthropy remains relatively low. In Montenegro, however, a public opinion poll confirmed

that in 2019 (compared to 2012) more people trust that funds raised for philanthropic activities are appropriately used.

- Overall, the socio-cultural environment for philanthropy has remained consistent in the region.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- Donor involvement: Across the region, most countries expect to see more involvement of individual and corporate donors in the future as institutional philanthropy further establishes itself.
- Innovative giving vehicles: The use of crowdfunding and social media sites to donate will continue to increase. While many POs are using global platforms, there are examples, such as Albania's Smile.al, where local alternatives have been also developed.
- Cooperation and networking: As philanthropy becomes more formalized in the region, country experts see networking as an important opportunity for both donors and POs to benefit from connecting with each other, cooperating, and sharing existing knowledge and expertise.

Key recommendations to improve the environment for philanthropy in the region

- Improve national legal framework and policies to enable philanthropy by giving legal recognition of philanthropic activities, facilitating giving, simplifying administrative tax procedures, and introducing favorable fiscal treatments.
- Strengthen the philanthropic infrastructure to enhance capacity and resilience of POs, to support intermediary actors, to educate donors, to strengthen networks, and to develop and promote new tools and mechanisms for philanthropy.
- Raise awareness on giving and create a more transparent ecosystem for data collection in order to strengthen public trust towards philanthropy.

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

- Health care, food and water supply, mental health, and basic needs for the poor or marginalized communities are the main areas where the nonprofit sector and philanthropy have responded.

What are the innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

- The COVID-19 pandemic enhanced new trends in philanthropy, such as the increasing support from diaspora communities and a growing popularity of online tools, including online giving and fundraising. POs have also shifted their work online, but some organizations faced challenges on remote and online operations.

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

- The philanthropic sector has witnessed a reduction in institutional and state funds for philanthropy, and due to the declining economic environment in general, the philanthropic environment has been affected negatively overall. The COVID-19 pandemic, however, has also strengthened POs' resilience and made funders implement flexible and innovative processes such as pooling resources, providing ad-hoc funds, easing reporting requirements, and convening stakeholders to better understand the current challenges and opportunities.

What is the anticipated impact of COVID-19 on the philanthropic environment in 2021?

- The negative effects of the COVID-19 pandemic, especially its negative economic impact, seem to continue through 2021. Charitable contributions continue supporting primarily the fight against the COVID-19 pandemic, urgent medical treatments, and poverty reduction. With the end of the COVID-19 pandemic, collaborative online tools and technologies will further shape and advance philanthropy in the region.

References

For the sources for the information in this report, please refer to the individual Country Reports:
<https://globalindices.iupui.edu/environment/index.html>