

Luxembourg invests in philanthropy

Over the last twenty years, philanthropy has seen phenomenal development in Europe. Well, not quite everywhere in Europe. Although Luxembourg has a great many advantages, it has only played a minor role in philanthropy so far. Keen to rectify this state of affairs and join in this buoyant movement, Banque de Luxembourg organised a symposium in April to galvanise philanthropic engagement in the Grand Duchy: “Seizing the opportunity for philanthropy in Luxembourg”.



Luxembourg's government has now embraced the concept to the full. The 20th century conferred numerous responsibilities on the state in a great variety of fields – education, health, social action, culture and sport. Yet public authorities cannot do everything because their resources, albeit considerable, are nonetheless limited, and individuals are often remarkably well equipped to fill these gaps very efficiently. The complementary roles of state and private initiatives are broadly recognised as fact in Europe. While countries with a liberal or corporate tradition like Britain and the Netherlands have always embraced philanthropy as a natural extension of government action, others like France and Luxembourg, which are more centralist, have had a more reserved approach - until recently. Attitudes are changing, the regulatory obstacles have been lifted almost everywhere and results have followed: in France, corporate charitable giving tripled

in volume between 2003 and 2005 to 1 billion euros per annum.

LIFTING BARRIERS OF LEGISLATIVE FRAMEWORK

Luxembourg is still some way behind. Like other European countries where civil law is based on the Napoleonic code, it has a tendency to consider social action as being the state's responsibility. And its law founded on the Act of 1928 does little to encourage private charitable giving. To give just a few examples: only donations in kind made to a restricted list of recognised public benefit associations are tax-deductible; to be fully deductible, donations must be between 120 and 500,000 euros and not more than 10% of annual net income, while donations of more than 12,500 euros require government authorisation in the form of a “Grand-Ducal order” to be accepted. Furthermore, there is no allowance for monies paid to foreign foundations or charities.

UNTAPPED POTENTIAL

There is much potential for charitable giving in the country. The 230 million euros that Luxembourg spends annually in development aid makes it, in proportion to its GDP, one of the Old Continent's most engaged countries. In a recent survey, the UK Charities Aid Foundation (CAF) estimated the share of GDP given to charities in 2003 at 0.14% in France and 0.22% in Germany, well behind the UK's 0.68% in 2005-2006, while Luxembourg, in the mid-range at 0.18%, donated 50 million euros in 2006.

OPENING UP DISCUSSION

Banque de Luxembourg has already noted and engaged in this new enthusiasm for philanthropy. After launching its philanthropy advisory service two years ago, the bank wanted to extend its scope by inviting some of the top European specialists in the sector together with a number of enlightened and interested individuals to meet in Luxembourg for a ●●●



Left to right:
Sharath Jeevan, chief executive, Global Giving UK;
Martin Brookes, chief executive, New Philanthropy Capital, UK;
Marc Elvinger, lawyer, Luxembourg;
Étienne Eichenberger, co-founder of Wise, Switzerland;
Virginie Seghers, consultant, France;
Dominique Allard, director of the Philanthropy Centre, King Baudouin Foundation, Belgium.

one-day symposium. The aim of the symposium held on 23 April at the Philharmonie was to identify the conditions that would enable Luxembourg to promote donor engagement and increase the impact for beneficiaries.

The event was a resounding success, both in terms of the quality of the speeches by some twenty experts – from the opening speech by Prime Minister Jean-Claude Juncker to the concluding words of his predecessor, former President of the European Commission, Jacques Santer – and in terms of the number of participants, which exceeded all expectations.

PROMISING POSITION

Matthew Bishop, chief business writer at The Economist's New York office, set the scene at the first round-table discussion: "The last 30 years have seen exceptional wealth creation, often concentrated in a few hands and a few countries. Now we need to plan where we go from here."

Bishop's words were echoed by Luc Tayart de Borms, Managing Director of the King Baudouin Foundation in Belgium: "We are at an historical turning point. Many baby-boomers have reached a stage in their lives where they want to give something back – but they need support to translate their good intentions into action."

WAYS FORWARD

How can we best address this challenge? "The authorities in Luxembourg are determined to get things moving," noted a delighted André Prüm, Dean of the Faculty of Law, Economy and Finance at the University of Luxembourg. But we must choose an appropriate direction. According to Russell Prior, executive director of Company & International Services at UK-based Charities Aid Foundation (CAF) and Xavier Delsol, head of the Non-profit Organisations and Third Sector department at French law firm Delsol & Associés, between the very liberal British system of inspiration and the tight government-controlled French regime,

there are a number of options. Once the legislative and institutional framework has been reshaped, the next step is to know how to make the most of it and translate intentions to action. But this isn't always a straightforward process.

"Giving is a choice," stressed Etienne Eichenberger, co-founder of Wise, a philanthropy consultancy based in Geneva. He went on to discuss the types of decisions that donors have to make, such as selecting the right project, understanding expectations and measuring the impact. All of which leads to the necessity, as everyone at the symposium agreed, of calling upon professional intermediaries to bridge the gap between the donor and the beneficiary.

And finally, in order to unleash these powerful forces, another indispensable condition must be fulfilled, pointed out Volker Then, Managing Director of the Centre for Social Investment at the University of Heidelberg:

"The general public needs to be persuaded of the value of the effort and convinced that the tax incentives offered to philanthropists are justified."

Do good and do it well!

To maintain the momentum of the symposium and promote debate on the subject of charitable giving in Luxembourg, visit www.philanthropie.lu.

This website provides news about the sector as well as personal accounts from philanthropists. It also contains information on the financial, administrative, tax and legislative aspects of donating. If you are interested in philanthropy, this website can help you get started and direct you towards specialists.

KEY MEASURES ANNOUNCED BY GOVERNMENT

In his introduction to the symposium, Jean-Claude Juncker lamented the current legislation and tax framework that was acting as a brake on private charitable giving and affirmed his intention to eliminate a good many of these obstacles. Less than a month later, in his state of the nation speech delivered on 22 May, the Prime Minister devoted a considerable portion to talking about the importance of social cohesion and the vital role of volunteers and charity workers in maintaining it. "There can be no cultural life without the government's commitment. And cultural life would not be as rich without the unfailingly enthusiastic contribution of numerous volunteers. This is not only true for culture, but also for sport, civil protection, the fire service and other aid and emergency associations." He went on to announce a series of measures designed to promote philanthropy, including an overhaul of the 1928 Act and the creation of an independent foundation whose role will be to advise donors and beneficiaries. "This Foundation is not intended to compete with those already active on the ground. Rather it will be an intermediary between beneficiaries and individuals or companies wishing to make a financial commitment to charitable projects."

Nor must we overlook the regulatory and tax changes such as the doubling of the ceilings for deductibility to 20% of income, capped at 1 million euros par annum, the spreading of this benefit over several years, and the relaxation of authorisation for major donations. All these encouraging prospects are opportunities that should be seized. ●



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