

Third Conference ERNOP- Budapest February 1, 2010

Budapest College of Management

A Note on the Relation between Philanthropy, the State and Private Companies in France.

As most European countries France is characterized by an extensive welfare state and a Third Sector that is predominately funded by government (Salamon 2004). In the context of French society, the funding and programming of scientific research, education, environmental policy, health care and social policy depend largely on the government.

All these various public sector activities are financed through taxes which are levied according to a republican idea of collective responsibility. So traditionally, the activities of the philanthropic sector have been seen as complementary, even if the fiscal and legislative measures recently put in place encourage private giving and the setting up of charitable foundations.

Charitable organizations and government policy.

The philanthropic sector can be divided into two main types or categories of NGOs out of the 1100,000 that exist (Tchernonog, 2007).

The first category consists of an impressive number of small-sized dynamic associations (928,000) of unpaid volunteers, which operate on low budgets derived from charitable giving, subscriptions and other donations.

The second category concerns professional organizations of which there are far fewer (172,000) and whose projects are set up to meet the needs of the public sector. They have large budgets at their disposal and privileged access to government funding as well as employing permanent staff.

The total operating budget for the voluntary sector in France is estimated to be around 59,4 billion euros.

The way the resources are structured differs according to the field of activity. In spite of a real decline in numbers of those who practice religion, the Catholic Church is still the main beneficiary of the generosity of French people and its financial resources have increased by 9,2% (per cent) up to 228 million euros for the period 2007 to 2008 .

Subscriptions form a large part of the income for sports associations and those associations that defend various rights and causes, respectively 38% and 24%. Subscriptions are less important in the case of social action groups and health care and humanitarian aid organizations. Receipts for income gained from the activities of the associations, regardless of whether private or public funding is involved, are however an important part across the board (49% in all). Funding from the public sector, of all kinds (grants, payments for services provided etc) account for 51% associations' budgets.

Social action and health care are two sectors that are massively supported by public funding, which represents two thirds of their income. Education, training and social work, cultural organizations, groups defending specific economic interests show a more balanced income between private and public sources. In the field of sports organizations, leisure and social clubs, associations defending rights and causes and humanitarian aid organizations – these depend far

less on public funding even though their budgets are still quite considerable (between 30% and 40% of the resources available). As far as public funding is concerned, the main contributors who support associations are the communes, central government and the departments (counties) who finance respectively 14%, 12% and 10% of their budgets.

Nature and origin of funding according to the activity of organisations									
	Humanitarian action	Social action Health	Defence of causes and rights	Education, Prof. training	Sports, Hunting and Fishing	Culture	Entertainment and social life	Defence of socio-economical Local development	Total
Private funding:	59,2%	33,2%	61,2%	52,4%	66,7%	52,7%	63,7%	51,5%	49,3%
Memberships	2,0%	2,6%	23,8%	3,6%	37,8%	16,8%	18,1%	10,8%	12,1%
Donations	25,6%	3,8%	7,0%	2,1%	6,0%	5,2%	1,7%	1,5%	4,9%
Private activities incomes	31,6%	26,8%	30,4%	46,7%	22,9%	30,7%	43,9%	39,2%	32,3%
Public funding:	40,8%	66,7%	38,8%	47,6%	33,4%	47,2%	36,2%	48,5%	50,8%
Communes	6,0%	10,7%	5,9%	5,7%	20,4%	22,1%	24,9%	21,2%	14,1%
Conseils généraux	13,6%	17,0%	5,6%	7,8%	4,7%	5,5%	2,1%	5,3%	10,0%
Conseils régionaux	1,2%	2,1%	2,4%	6,9%	1,5%	7,0%	0,8%	10,4%	3,5%
Central government	13,1%	17,7%	10,0%	18,6%	4,0%	8,9%	4,3%	3,8%	12,3%
Europe	0,9%	0,7%	0,6%	2,9%	0,1%	0,2%	0,3%	1,5%	0,9%
Social organisations	3,9%	15,0%	12,0%	2,1%	0,6%	1,0%	2,2%	1,6%	7,0%
Other public funding	2,1%	3,5%	2,3%	3,6%	2,1%	2,5%	1,6%	4,7%	3,0%
Total in %	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Total in million euros	2 663,2	€ 21 516,1	€ 2 610,4	€ 8 878,3	€ 8 778,5	€ 5 543,3	€ 5 265,0	€ 3 824,0	€ 59 391

Survey CNRS - Matisse - Centre d'économie de la Sorbonne auprès des associations - 2005/2006 (Tcherronog)

Charitable giving in the fiscal context

As the government puts in place more and more fiscal measures to encourage giving on the part of both individual and corporate donors, it plays an increasing role in inciting donations. Donations have gone up by a billion euros between 1991 and 2007, to which the government has contributed 800 million euros in tax reductions.

- **Charitable giving by households**

For donations to organizations of general interest, the fiscal deductions evolved from 40% of the giving up to a maximum of 5% of income in 1995, to 60% of the giving up to a maximum of 20% of income in 2003, and to 66% of the giving in 2005.

Moreover since 2008 those French taxpayers who have had to pay a special tax on High Levels of Income (Impôt sur la Fortune –ISF) can substitute some of the tax due as charitable giving.

This tax scheme has been found to be very effective and has become more widely used as it has brought in a total of 50 million euros in 2008 and 65 million euros in 2009.

In 2007 the total amount of donations declared to the tax authorities as part of the annual income tax returns was 1,696 billion euros (figures provided by the *Direction Générale des Finances*).

The number of taxable households having declared donations was 5,302 million. The declared donations that didn't incur a reduction in tax have been valued at 163 million euros in 2007.

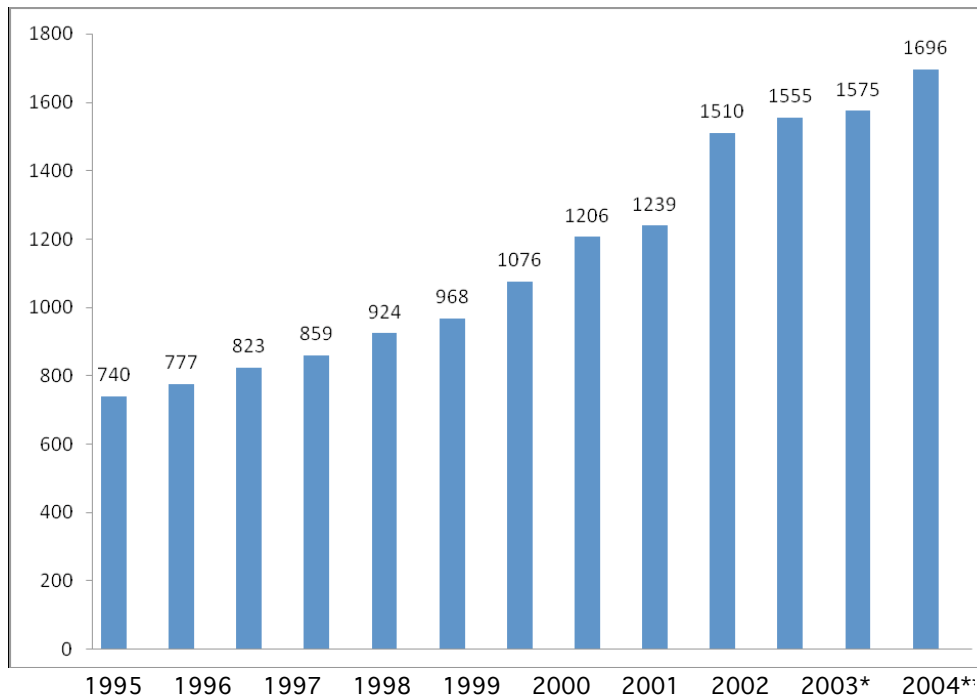
The estimate for the average declared donation per taxable household in 2007 was 320 euros.

The estimates for donations by households for the year 2007 are evaluated at 3 billion euros, if one includes the many other donations that weren't declared to the tax authorities.

From 1995 up to 2007, the amounts declared by French households increased from 740 million euros to 1,696 billion euros. This growth in the level of these donations can not only be explained by fiscal incentives, but also by the fact that the lack of confidence that the deficits and

debts in the public sector has provoked, has made French people more willing to get involved in charitable activities in a way similar to that seen in English-speaking countries.

Yearly declared donations in million euro



*New tax incentives

** Exceptional donation (Tsunami effect)

- ***Private companies and Foundations***

In 2003, the government put in place tax regulations concerning private companies which allowed them a tax reduction of 60% up to the value of 0, 5% of their turnover before tax. This tax advantage was to become a very efficient incentive and in 2005, 55% of companies said that they had benefited from this measure.

The charitable giving of companies was valued at 2,5 billion euros for the year 2008.

23% of companies employing twenty staff and more are active donors and 73% of the companies that give to charity are small or medium-sized.

A whole range of activities benefit from corporate giving: cultural organizations, environmental pressure groups, scientific research projects, sports clubs etc.

The investment of these companies in these organizations isn't limited solely to financial help as they also offer the involvement of their employees in philanthropic programs.

A whole raft of measures whether legislative, regulatory, administrative or fiscal in nature has helped the increasing numbers of foundations supported by companies. From 2001 to 2007 the number of charitable foundations in France has gone up by 30%. Their number increased by 164% from 67 in 2001 to 177 in 2007.

The setting up of university foundations and business-oriented foundations adapted to a university context has continued since 2007, following this trend for opening up and evolving new statutory arrangements for these foundations.

In 2008, the French government put into place the concept of *Fonds de Dotation* along the lines of American-style endowment funds, which were designed to facilitate the establishment of private fundraising entities in order to finance charitable activities. In the year following this measure, 114 *Fonds de Dotation* came into being, more than half of which had been created by private benefactors.

Salamon, Lester, Sokolowski (2004): *Global Civil Society. Dimensions of the Nonprofit Sector*. Vol.2. Kumarian Press: Bloomfield/US.

Tchernonog, Viviane, « Les associations en France, Poids, profils et évolutions, Financements publics et privés, emploi salarié et travail bénévole, gouvernance », *ADDES*, 2007.