

Unlock Philanthropy: Policies to enable more Impact Investments

Introduction: Philanthropy as a key partner

Today's challenges – from inequality and democracy to climate change – are too big and complex for any single actor to tackle alone. To address them effectively and efficiently, we need all hands on deck, leveraging private, public and philanthropic resources to their fullest potential.

In her [Political Guidelines 2024-2029](#), European Commission President Ursula von der Leyen pledges to maximise public investment and leverage and de-risk private capital - a commitment we warmly welcome. In this paper, Philea and Impact Europe present key recommendations for policymakers to bolster this effort – namely, by stimulating more impact investment activities within philanthropic organisations and achieving real impact. Building on the [Philanthropy Manifesto](#) and the [Impact Manifesto](#), our vision includes:

1. Enabling impact investing at the programme level
2. Developing a co-investment facility under InvestEU
3. Facilitating impact investing and mission related investments at the endowment level
4. Integrating philanthropy from the start in the next Multi-Annual Financial Framework

Unleashing philanthropy's potential

Philanthropy is about using private resources for public good. Whether large or small, philanthropy plays a pivotal role in co-shaping and supporting a pluralistic, just and resilient society that puts people and planet at its centre. Philanthropy works alongside other civil society and social economy organisations, complementing government and private sector initiatives.

To achieve and generate positive social and environmental impact, the traditional mission of philanthropic organisations can be strengthened by deploying capital – whether through programme activities or endowment investments. This deployment also generates financial returns (e.g. repayable financial instruments from programme activities or investing part of their endowment with a social and/or environmental purpose), which qualifies as impact investing. For a visual illustration of the ways philanthropic organisations (foundations) deploy capital for impact (programme activities vs. endowment), see the Annex.

Momentum for impact investing is building

Across Europe, philanthropic organisations have started engaging in impact investing, including supporting social economy actors and start-ups. However, restrictive laws often hinder these efforts as evidenced by [Philea's legal analysis](#). The [Accelerating Impact Report](#) showcases examples of foundations using loans and equity to fund social enterprises, demonstrating a high potential of leveraging a full spectrum of capital to achieve social missions.

The European Commission has expressed a clear interest in stimulating more mission-related and impact investing activities by philanthropic organisations. The 2021 Social Economy Action Plan and the InvestEU programme are two prime examples of this commitment. When undertaken in collaboration with public actors, impact investing approaches can serve as a powerful tool to advance and empower impact investors, including foundations, to create lasting social and environmental benefits through co-investing and blended finance approaches. With this in mind, we present our recommendations as follows:

Recommended Policies to Boost Philanthropic Impact Investments

1. Enable impact investing at the programme level

In the context of their programme activities, philanthropic organisations should be allowed to support social economy organisations with repayable financial instruments (loans/revocable grants) and other tools – while preserving their public-benefit/tax-exempt status. Existing **national measures enabling impact investing from the programme side** can serve as an important inspiration to all Member States:

- > In the **Netherlands**, the tax authorities [recently clarified](#) that philanthropic organisations can support social economy organisations and generate profits, as long as those profits are spent on the purpose of the organisation.
- > In **Spain**, the council of ministers has channelled [€400m](#) of its National Recovery and Resilience Plan into the creation of the [Fondo de Impacto Social \(FIS\)](#), a social impact fund aimed at providing financial support to purpose-driven companies, projects and funds. Philanthropic organisations have dual entry points into the fund, as beneficiaries and also as co-investors.
- > In **Switzerland**, the Cantonal Tax Office of Zurich clarified how the tax-exempt, non-profit status extends to [additional impact investing](#), i.e. when investments are being made in areas where profit-oriented third parties would not invest due to high risks. The [returned funds](#) must then be used for the non-profit purpose of the organisation.

2. Develop a co-investment facility under InvestEU

As President von der Leyen emphasised, "We will only achieve our climate goals if private investment is mobilised on a massive scale and directed towards green projects." While this is true, such mobilisation won't happen on its own. However, there is a way to support von der Leyen's vision: by envisioning an innovative co-investing or blended finance approach specifically tailored for philanthropic organisations.

The European Commission, the European Investment Fund and the European Investment Bank have started efforts in this direction. We strongly urge an acceleration in the development of a suitable and daring co-investment facility for philanthropy under InvestEU. This facility, in collaboration with the European Investment Bank (EIB), National Promotional Banks (NPBs), and other InvestEU implementing partners, would provide innovative products, tools, and funding vehicles. These offerings would be designed to encourage philanthropic organisations to invest their endowments in mission-related financial instruments while effectively minimising the associated risks.

The [Impact Europe case study](#) demonstrates real world examples of how strategic partnerships between **NPBs** and philanthropic organisations have successfully driven impact investing, resulting in meaningful social outcomes. By leveraging their endowments, foundations are increasingly engaging in financial strategies that align closely with their missions. These efforts illustrate the growing need for dedicated co-investment facilities and tailored tools that enable them to maximise their impact.

3. Facilitate impact investing at the endowment level

We are also calling for national laws to become more flexible with regards to how philanthropic organisations can invest their endowments and support their missions at the same time. The 2021 Social Economy Action Plan (SEAP) and the 2023 European Investment Advisory Hub's "Philanthropic Capital study" include concrete recommendations to stimulate more mission-related asset allocation and impact investing, as well as public-philanthropy partnerships.

4. Integrate philanthropy in the next Multi-Annual Financial Framework

Looking ahead, the next Multi-Annual Financial Framework should provide for an InvestEU type instrument and ensure that philanthropic organisations are brought in from the start to enable co-investments and impact investing approaches. Philanthropy cannot be left out of the co-investment programmes, as they are part of the solution and can – if desired – provide additional and much-needed private capital aligned with their missions.

We urge all stakeholders to consider the recommendations above and collaborate to create a more sustainable and equitable future. The time to act is now, and with a united effort, we can turn our shared vision into reality.

[About Philea](#)

With individual philanthropies and national-level infrastructure organisations in over 30 countries as members, we unite over 7,500 public-benefit foundations that seek to improve life for people and communities in Europe and around the world. Our vision is for philanthropy to use its full potential to co-shape and support a pluralistic, just and resilient society that centres people and planet. Our mission is to enable, encourage and empower the philanthropic community to build a better today and tomorrow. We galvanise collective action and amplify the voice of European philanthropy. Together we: co-create knowledge and learn from effective practices; collaborate around current and emerging issues; promote enabling environments for doing good.

[About Impact Europe](#)

Impact Europe (formerly EVPA) is the investing for impact network in Europe. We gather capital providers along the full continuum of capital (foundations, impact funds, banks and financial institutions, corporate impact actors, public funders) to increase prosperity and social progress for all, fix inequalities and injustices and preserve the planet. Together, we rally people, capital and knowledge to accelerate, scale and safeguard impact.

How foundations can deploy capital for impact (program vs endowment)

