

Global Institutional Philanthropy:

A PRELIMINARY STATUS REPORT

A REPORT OF WINGS: WORLD WIDE INITIATIVES FOR GRANTMAKER SUPPORT
AND TPI: THE PHILANTHROPIC INITIATIVE

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About WINGS

WINGS is a network of over 140 associations of grantmakers and other grantmaker support organizations in 54 countries around the world that seeks to strengthen philanthropy and a culture of giving through mutual learning and support, knowledge sharing and professional development among its members. While working in different contexts, they share a common vision of a strong, global philanthropic community that strives to build more equitable and just societies around the world.

About TPI

TPI is a nonprofit ally and consultant to ambitious donors willing to embrace creative thinking in their efforts to realize deep social impact. Hired by corporations, foundations, and individuals to develop and execute custom strategies to increase the impact of their giving, TPI has invested in the advancement of strategic philanthropy across the globe since 1989. In collaboration with colleagues around the world, TPI's Center for Global Philanthropy works to increase philanthropy's impact through improved knowledge, broader engagement, and more strategic practice.

About the author

Paula D. Johnson is a Vice President at The Philanthropic Initiative, Inc. (TPI) and the Director of its Center for Global Philanthropy. Ms. Johnson leads the center's research, educational programs, and field-building initiatives to strengthen giving to and within other countries and also works with foundations, corporations, and individual donors to develop powerful and effective global giving strategies and programs. Prior to joining TPI, Ms. Johnson was a Research Fellow with the Global Equity Initiative at Harvard University, where she developed and led GEI's Global Philanthropy Program. She has helped to establish independent foundations in Asia, South America, and Africa, and worked on a number of initiatives to build philanthropic capacity and strengthen civil society in Asia, Russia, and Eastern Europe.

FORWARD

On behalf of the Worldwide Initiatives for Grantmakers Support (WINGS), I am pleased to share with you a new and seminal publication, *Global Institutional Philanthropy: A Preliminary Status Report*. For the first time ever, the study brings together disparate knowledge and data on institutional giving from countries around the world. We believe that the study will be of great value to a large and varied audience including policy makers, philanthropists, nonprofit practitioners, and academics who wish to understand and strengthen the practice of philanthropy.

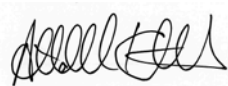
WINGS—with its global membership and global outreach—is uniquely positioned to attempt such an ambitious overview. Nevertheless, when I was tasked to chair the Advisory Committee I had many questions:

- Would the report be able to aggregate data from regions with diverse understanding, regulations, policies and definitions regarding institutional philanthropy?
- Would the framework and discourse on the relatively developed and well-documented experience of Europe and North America, overshadow the discussion of other regions (Arab, Asia/Pacific, Latin America and Caribbean, and Sub-Saharan Africa) with their typically shorter history of institutional philanthropy?
- Most concerning on a personal level, would the exercise indicate how little we actually know of our field globally—and specifically in my Arab region?

Several frank discussions as an advisory committee and the skill (and patience) of Paula Johnson, the study's research director and author, allayed my concerns and resulted in a rich, balanced, and indispensable study. It highlights the world's intricate philanthropic tapestry while also identifying its common threads. It demonstrates the wealth of existing knowledge around institutional philanthropy while illuminating its critical data gaps. And it demonstrates the ability of a collective, collaborative effort to bring forward new and important knowledge.

The global status report will help those of us who seek to strengthen and improve philanthropy in our own countries and regions to better understand our own environment as well as the global context in which we work. The study places issues and experiences that affect us all into a comparative perspective, illuminating possibilities, opportunities, challenges, and potential solutions.

I am sure I speak for all of my colleagues on the Advisory Committee when I say that if this report provides a critical reference point—one that vividly illustrates both the diversity and commonalities of philanthropy in various world regions, identifies the knowledge gaps that must be filled, and shows us individually, and collectively, a path forward to better philanthropic understanding and engagement—then we have not toiled in vain.



Atallah Kuttab
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Amman, Jordan

Acknowledgements

WINGS/TPI is grateful and indebted to the many individuals and organizations who contributed their substantial knowledge, time, and guidance to this report. Without these contributions, there would be no report.

In particular, WINGS/TPI would like to acknowledge the critical input of the report's advisory group and the survey respondents and authors of the country profiles. Their knowledge and insight are the foundation of this report.

Many TPI colleagues contributed to this study. We wish to acknowledge, in particular, the extensive research and writing contributions by Kristin Brown, Maureen O'Brien, Lisa Spalding, and Kristen Whelan; general editorial review by Stephen Johnson; and the creative direction contributed by Jim Coutre. This study would not have been possible without their combined efforts and unfailing good humor.

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Survey Respondents

| | | |
|------------------------|---------------------------|--------------------|
| Hamid Abidin | Pilar Hernandez | Monica Patten |
| Sylvia Admans | Lenka Ilanovska | Hilary Pearson |
| Gina Anderson | Yosephine Dian Indraswari | Amita Puri |
| Clare Brooks | Norman Joseph Jiao | Lourdes Sanz |
| Rob Buchanan | Erika Joubert | Robyn Scott |
| Maria Chertok | Safi Rahman Khan | Dina Sherif |
| Kyung-In Choi | Steven Lawrence | Kwok Shook Yee |
| Noshir H. Dadrawala | Zeynep Meydanoglu | Benjamas Siripatra |
| Andre Degenszajn | Katarina Minarova | Boris Strecanský |
| Dr. Hans Feisch | Chris Mkhize | Sukich Udindu |
| Rosa Gallego | Mercedes Mosquera | Jane Wales |
| Shelagh Gastrow | Dr. Pradeepta Kumar Nayak | Fran Walker |
| Anna Gulevska-Chernysh | Iwona Olkowicz | Marcia Woods |
| Luma Hamdan | Miriam Otieno | |

BACKGROUND AND INTRODUCTION

Philanthropy is growing and gaining visibility around the world. Private giving has an increasingly important role in addressing human suffering, promoting social justice and equitable economic growth, and strengthening and supporting a broad array of civil society goals and organizations.

Yet as a field of study – if indeed it is a “field” of study – global philanthropy is in its infancy. It defies definition at the same time that it provokes interest and inquiry. While many have contributed to our understanding of global giving, it is fair to say that there are no individual or institutional experts. Reliable giving data can be found in only a limited number of countries. Globally comparable data is non-existent. Careful analysis of philanthropic giving through a global lens is hard to find. Given the vast and uncharted landscape of global philanthropy, any effort to define its boundaries or describe its contours is likely to be misleading. Such efforts are equally likely to obscure or at least only partially represent the rich diversity and complexity of philanthropy as it is practiced in countries and cultures around the world.

WINGS/TPI and the study authors readily acknowledge such limitations; we do not presume to redress what has been a paucity of data for decades. *Global Institutional Philanthropy: A Preliminary Status Report* was conceived as an exploratory attempt to gather philanthropic information and data from WINGS network members. It was not designed to be comprehensive or even representative. Rather it is an attempt to collect perceptions, observations, and information from the WINGS membership and begin to build a knowledge base on global philanthropy. We hope that the report will serve to pose some questions and suggest ideas that may point to broader trends and characteristics. At the same time, we hope that it illuminates the knowledge gaps in our understanding of global institutional giving. Optimistically, future contributions from a far larger respondent base coupled with additional empirical research will build on this information to further expand our knowledge, fill some gaps, address misconceptions, and build a better understanding of philanthropy as it is practiced globally.

Global Institutional Philanthropy: A Preliminary Status Report includes two parts. Part One collates the survey responses, including a discussion of philanthropic trends and characteristics, the legal environment for institutional giving, obstacles and challenges to the growth of institutional philanthropy, and institutional philanthropic models. Part Two provides profiles of institutional philanthropy in 24 individual countries and the Arab region, employing a similar outline.

Study Approach and Limitations

This study represents but one modest contribution to the understanding of global philanthropy. From the outset it was conceived as an exploratory and limited study. With limited resources WINGS/TPI could not undertake a comprehensive analysis of global philanthropy. Rather, it took advantage of its own unique global network to collect and assemble knowledge on institutional giving that was provided by its member organizations.

The study faced formidable obstacles and limitations. Many have to do with cultural and legal definitions, others with data. And the very methodology itself was necessarily restrictive.

Methodology

WINGS distributed an electronic survey to its 147 members in 55 countries. 32 responses, from 24 countries and the Arab region, were returned. In addition, the report draws on regional sources of philanthropic data where they were available. Regarding the survey responses, it is important to underscore several issues:

- The number of survey responses was extremely limited, and many respondents were able to provide only incomplete answers.
- Much of the information gathered from the surveys is subjective, reflecting the knowledge, perceptions, and observations of the individual respondents.
- There was inconsistent use of definitions and typology. Some survey respondents used the WINGS definitions and typology; others appear to have used their country's legal classification system.

- In general, availability of and reporting on quantitative information was extremely limited.
- Some respondents were only able to provide information on one segment of institutional philanthropy, e.g., the community foundation sector, or on a small sample of institutional philanthropy, e.g., a membership group.

Given these variations and limitations it is not possible to draw conclusions regarding regional or global trends, nor is there enough quantitative data to allow aggregation or analysis. To be sure, the surveys contain a wealth of instructive insights, observations, and reflections, and some respondents were able to provide useful quantitative information as well. Some of the observations may be indicative of broader trends and characteristics and offer the intriguing prospect of additional and more thorough research.

In Part One we have taken care to distinguish information provided by survey respondents from information drawn from published sources. The country profiles in Part Two reflect information as reported by respondents. We are confident that both parts of this report, despite their limitations and gaps, add value to our understanding of global philanthropy. We hope they will also encourage other researchers to add to the ideas, fill in the gaps, and correct discrepancies.

Definitional Approach and Limitations

There is no universally accepted framework or set of definitions for institutional philanthropy. Both public perceptions and legal definitions shape how philanthropy is understood, described, defined, and measured. Definitions and conceptual frameworks have an obvious impact on empirical data. For example, the legal definition of a “foundation” varies greatly, even within a geographical region, affecting the range and number of institutions that are included in the category and thus defying comparison.

In an effort to avoid the pitfalls of legal classifications, the WINGS survey used a functional rather than legal framework for institutional philanthropy. The typology and definitions were based on a review of over 30 reports and surveys of institutional philanthropy and developed to be applicable and relevant in a range of philanthropic environments. The typology included six broad categories of institutional philanthropy: independent foundation, corporate foundation, community foundation, host-controlled fund, government-linked foundation, and multi-purpose fundraising institution. Each category was defined in such a way as to provide latitude for local variations in institutional type. While respondents generally agreed with the functional value of the typology, most were unable to provide data for the specific categories.

Data Limitations

The amount of philanthropic data is increasing, but still severely limited, and seldom comparable within or across regions. Among the key deficiencies:

- There is no reliable philanthropic data in many countries.
- Where data does exist it often relies on a small sample size or response rate and may not be representative.
- Existing data derives from various projects using different definitions and approaches.
- There are no standards or norms for institutional definitions, asset valuation, or expenditure accounting.
- There are few baseline studies that allow analysis of increases or decreases over time.
- Existing data sets are seldom updated.

GLOBAL CONSIDERATIONS

The philosophy, legal status, scale, and character of philanthropy around the world vary widely. Cultural traditions, religious mores, political histories, and the economic strength of individual countries have profoundly shaped the charitable sector in individual countries and geographical regions, creating a rich and diverse global philanthropic landscape.

Given the richness, diversity, and complexity of global philanthropy, we hesitate to try and create any short list of broad globally applicable traits or trends. Therefore, we leave most of the description and analysis to the regional sections and to the individual country profiles. That said, and perhaps surprisingly, there were some clear, strong, and persistent themes shared by many of the individual philanthropic profiles and that appear to be relevant and significant in most regions. We discuss them briefly here.

Global Themes

Unique philanthropic heritages

Survey responses emphasized the unique philanthropic heritages and pathways of individual countries and cultures -- shaped by long-lasting religious and cultural beliefs and practices, changing political powers, unpredictable economic courses, patterns of migration and immigration, as well as sometimes strong international influences. In part, these philanthropic heritages are acknowledged in order to help understand the contours of the current landscape. But potentially more importantly, they are often raised as elements to consider in strengthening philanthropic growth and impact. In seeking to increase philanthropy's scope there is an often under-explored potential for building on traditional giving practices in new, creative, and impactful ways. There is real promise in linking new institutionalized forms of philanthropy with long-standing practices and traditions, helping philanthropy to be better organized and sustainable without destroying traditional giving motivations and practices.

Growth of institutional philanthropy

Despite the caveats regarding data, it seems safe to say that institutional philanthropy is on the rise around the globe. While the factors influencing this growth vary from region to region and country to country, among the key forces are the enormous increase in global wealth; the opening-up of political space; the shifting roles of the state, market, and civil society; and the increased visibility of philanthropy and its influential leaders.

Global wealth creation is a prerequisite for a robust philanthropy sector. Though much private wealth has been lost in the recent recession, overall growth over the last three decades has been little short of remarkable. New economies, global economic integration, private control of previously state-owned enterprises, and the transfer of wealth from one generation to the next have all contributed to the growth of private wealth.

Over the same three decades, there has been a profound shift in the relationship among the state, commercial marketplace, and civil society. Widespread political reform and changes in government policy, coupled with cutbacks in government services, have created space for private philanthropy and civil society, and redefined roles among the three sectors.

Broadly speaking there appears to be a growing conviction that philanthropy has an important role to play in addressing human challenges and strengthening civil society. In some countries, there have been concerted efforts to promote philanthropy. Several global foundations have also sought to promote the development of philanthropy in a number of countries. Prominent philanthropic leaders have influenced others to become more philanthropically involved. In certain countries and perhaps regions, corporations appear to be taking a particularly active leadership role. Other groups, such as diaspora populations and women, may also have the potential to lead and leverage philanthropic growth.

Towards more strategic giving

Associated with the growth of institutional philanthropy, there is movement, albeit relatively slow, away from traditional charitable giving to more strategic giving aimed at achieving significant social change. There is a growing focus on the causes of social ills, and not merely on their symptoms. In most regions, there are cautious signs that at least some philanthropic institutions are seeking to be increasingly strategic with their investments. Private and corporate foundations are seeking to address complex economic and social challenges, and the underlying causes of poverty and inequities. At the same time, programmatic and investment strategies and approaches are becoming more diverse.

To be sure, direct assistance to vulnerable individuals continues to absorb a considerable amount of philanthropic capital around the world. Such charitable assistance is too often discounted as “old,” “ineffective,” or “unnecessary.” Charitable giving and the relief of suffering have universal human impulses, and even the most strategic donors will sometimes address near-term need. Moreover, charity can be a first step for a funder who, overtime, may become increasingly strategic, more interested in the identification of causes and systemic solutions.

There also appears to be an increasing number of collective and collaborative initiatives aimed at increased strategic impact. Philanthropic institutions are partnering with each other and with the government and private sector in new, expanded, and creative ways. Private and corporate foundations are working with governments and increasingly recognizing the potential to address jointly issues and problems on a larger scale, combining not only resources but also diverse and complimentary skills.

Legal and Tax Policy Environment

The legal and policy environment for philanthropy varies widely around the globe. Some countries having a relatively favorable policy environment while in others multiple legal and tax impediments limit the growth, activities, and potential impact of philanthropic institutions. Among the most important policy issues appear to be, e.g., permissible legal identities; registration processes; government intervention and

oversight; and tax policy. In addition, several countries are considering the particular legal policies that regulate cross-border philanthropic activity.

Legal identities and registration

In a great many countries the legal status of philanthropic institutions is imprecise, with no distinction between philanthropic institutions and other civil society organizations, and/or among different kinds of philanthropic institutions. Because country-specific legal structures were often not designed with consideration for the uniqueness of private philanthropic institutions, the laws in many countries leave many questions unanswered. The resulting uncertainty with respect to, e.g., permissible activities, allowable partnerships, and the nature of tax treatment, is often a disincentive to create philanthropic institutions.

Government oversight and intervention

Government oversight of philanthropy, even in countries with extensive institutional philanthropy, is often haphazard and a patchwork of regulatory standards and jurisdictions. Such seemingly random regulation often reflects the “neither fish nor fowl” nature of philanthropy – it is neither the public domain nor business, the sectors at which law is most frequently directed.

Some governments have found a balance between providing the philanthropic sector with necessary oversight, while taking care not to create undue administrative burdens. In other countries, government involvement in the sector appears to be genuinely burdensome. In many countries, multiple agencies are involved in issuing licenses, monitoring activities, and watching over financial activities. Philanthropic activities can be restricted to a limited number of NGOs or a narrow set of issues.

Tax policy

Many countries are debating the efficacy of more favorable tax policies to encourage philanthropy. Interestingly, there is no clear consensus about the impact of such incentives. While there are some who believe that a lack of tax incentives contributes to low levels of giving in many countries, many others believe there is no proven relationship between the two.

The conceptual debate aside, tax policy indeed varies dramatically from country to country. Some coun-

tries offer very limited fiscal incentives for giving, with strict limits on both the levels of deductibility and the kinds of nonprofits able to receive contributions. The process of claiming tax deductions can be rigorous.

Cross-border philanthropy

In Europe and the U.S. there is also growing momentum to make it easier to give across borders. Many foundations are increasingly international in their work, yet working outside of the country in

which a foundation is incorporated can be difficult and expensive. In Europe, there is a newly proposed “European Foundation Statute”¹ which would allow foundations to work more effectively and efficiently in more than one European Union Member State. In addition, the Global Philanthropy Leadership Initiative – led by the Council on Foundations, WINGS, and the European Foundation Centre (EFC) – is addressing on a broader global basis the legal barriers associated with foundations’ cross-border activities.

Obstacles and Challenges

Need for reliable data

Around the world there are calls for more robust, reliable, and comparable data on philanthropic giving. Better data and analysis has the potential to lead to increased philanthropic capital, more effective

giving practices, a more favorable policy environment, and a stronger civil society. The Global Philanthropic Capital Project (GPCP) consortium has articulated the potential outcomes of reliable, comparable philanthropic data:²

THE GLOBAL PHILANTHROPIC CAPITAL PROJECT THE VALUE OF PHILANTHROPIC DATA

INCREASED PHILANTHROPIC CAPITAL

- Accountability, transparency, and increased visibility can produce greater confidence in the sector, leading to greater participation.
- Demonstrating the value of philanthropy can attract those who seek to have social impact.
- Comparative benchmarking allows individuals, institutions, and countries to understand their own philanthropic giving as it relates to others, potentially leading to actions to adjust levels of investment.

IMPROVED PHILANTHROPIC STRATEGIES AND IMPACT

- Better knowledge is critical to identifying effective strategies, solutions, including opportunities for collaboration.
- Accurate data is essential to analyzing philanthropy’s impact.
- Ultimately, better knowledge has the potential to drive a reallocation of the global giving portfolio.

A MORE FAVORABLE POLICY ENVIRONMENT FOR PHILANTHROPY AND CIVIL SOCIETY

- Greater transparency and accountability of the philanthropic sector can lead to more favorable policies.
- Better understanding of philanthropy’s role in society can lead to a more favorable policy environment.

STRONGER CIVIL SOCIETY

- More comprehensive and readily available information on philanthropic institutions will help civil society organizations more easily identify potential partners and resources.
- Greater transparency and increased visibility of philanthropic support for civil society can build greater public confidence and participation in the sector.

Public perception

For philanthropy to flourish in a society, that society must value a strong and vibrant role for civil society and believe in the role of private actors to support it. Among the most oft-cited barriers to philanthropy's growth is the general public's attitude toward both philanthropic institutions and civil society generally.

In some countries there is only a limited acceptance of the expanding role of civil society and the legitimate scope of public action. In countries where the state has long been the provider of basic services there is sometimes a strong feeling that this responsibility should remain the state's – even despite widespread cutbacks in such services.

In addition, despite the optimistic shift to strategic giving approaches reported in some countries, many philanthropic institutions and the public view the role of philanthropy as one of charitable or cultural foci rather than as a catalyst for social change.

Trust and transparency

A further concern regarding the public perception of philanthropy is that in some countries there appears to be a pervasive lack of trust and confidence in philanthropic institutions and the nonprofit sector generally. In large part, the lack of credibility may be a result of the underlying lack of transparency in the sector. Without reliable and publicly available information on philanthropic investments and their impact, there may be a certain level of public suspicion about its motives and public value.

The lack of trust in philanthropy can be further exacerbated by a lack of confidence in the public sector. A lack of confidence in a country's leadership and direction is likely to further depress the prospects for institutional philanthropy. A perceived lack of com-

mitment to development and change, and/or the existence of pervasive corruption, can give rise to a belief that philanthropy can have little long-term strategic impact in such an environment. This is likely to encourage more individual charity and less institutional giving.

Trust may be built through the establishment of standards that include government-mandated accountability requirements as well as self-regulation within the philanthropic and nonprofit sector. For example, governments can promote transparency among private philanthropy and NGOs by requiring annual reports and audited financial statements; philanthropic institutions can be more transparent about their grantmaking and other expenditures; individual NGOs can develop and institute practices to advance their own transparency; nonprofit umbrella and membership organizations can develop mechanisms and standards that will have broad acceptance within the NGO community, government, and in turn lead to increased public confidence.

Measuring impact

Measuring impact and effectiveness is a major focus for some philanthropic institutions, yet it remains a challenge. Many in the sector are struggling with evaluation approaches that can demonstrate whether and how their philanthropic strategies are working, approaches that also demonstrate impact in a compelling way to the government, public, and the media, and gauge whether and how their strategies are working.

These themes, considerations, and challenges are explored in greater depth in the regional sections that follow and in the national profiles in Part Two of this report.

¹ The Global Philanthropic Capital Project (GPCP) is a global initiative to develop and implement a methodology and workplan to track institutional philanthropic capital in a systematic and globally comparable manner. It is led by a working group of global experts and is building a coalition of institutional partners around the world. Its development is being coordinated by The Philanthropic Initiative, Inc. and The Salzburg Global Seminar.

² Hopt, K., von Hippel, T., Anheier, H., Then, V., Ebke, W., Reimer, E., & Vahlpahl, T. (2007). Feasibility Study on a European Foundation Statute: Final Report. University of Heidelberg: Center for Social Investment and Max Planck Institute for Comparative and International Private Law. Retrieved from http://ec.europa.eu/internal_market/company/docs/eufoundation/feasibilitystudy_en.pdf. and European Foundation Centre. European Foundation Statute. Retrieved from: <http://www.efc.be/EuropeanFoundation-Statute/Pages/EuropeanFoundationStatute.aspx>.



PHOTO: OLIVIER LEJADE



SUB-SAHARAN AFRICA

Survey responses were received from two countries: Kenya and South Africa, with three surveys returned from South Africa. Given the very limited number of responses, it is not possible to draw any conclusions regarding the region, but the individual country information, summarized below, is informative and may be indicative of trends and characteristics that could be explored on a wider regional basis.

WINGS/TPI would like specifically to acknowledge the contribution of Shelagh Gastrow, Executive Director of Inyatheo (South Africa Institute for Advancement) to this section. Much of the South Africa narrative below is drawn from her insightful survey response.

WINGS/TPI understands that Trust Africa is engaged in a comprehensive study of philanthropic giving in Africa, and we look forward to the significant contribution that the study will provide to our understanding of the region's philanthropic practices.

Philanthropic Trends

Rich and long-established traditions in philanthropy and mutual aid

Throughout Sub-Saharan Africa there are long-established traditions of giving, mutual aid, and philanthropy that shape and influence current practices. Among African communities in which there is a strong religious presence, Christianity, Islam, and Hindus all subscribe to beliefs that prescribe helping individuals who are less fortunate. The survey from Kenya describes the pre-colonial tradition of Harambee (a strong communal structure that sees the need of any individual as the needs of the community) was recognized by the state in the 1960s as a means of mobilizing communities to pool resources for local development. The survey from Kenya points out that such philanthropic practices

have long been considered a natural part of the social fabric, thus not always as visible as today's focus on institutional philanthropy.

Philanthropic sector in some countries poised for growth and change

Susan Wilkinson-Maposa, a scholar at the University of Cape Town, reports that in southern Africa the organized philanthropy and social investment sector is poised for growth and change. The philanthropic landscape includes a broad range of grant makers – including community foundations, trusts, private foundations and corporate social investment programs – and the sector has begun to organize itself through peer networks to learn, advocate and build capacity.¹ The Kenya survey reports that there is an increasingly systematic approach to philanthropy in the country, with formal philanthropic institutions funding community needs. Gastrow observes that although the bulk of the new wealth in South Africa is used for personal consumption, there are some exceptions where the wealthy are earmarking resources for the public good. In addition, the government has introduced Black Economic Empowerment charters that require that a percentage of corporate profits be applied to social investment, resulting in the establishment of new corporate foundations.

Elkanah Odembo, Ambassador of the Republic of Kenya to the U.S. and Director of Ufadhili Trust (Center for Philanthropy and Social Responsibility) and Faith Kisinga, Program Officer for Ufadhili Trust, note that in East Africa there has been a steady growth of “structured” or “formal” philanthropy motivated by a genuine concern about the sustainability of regional development. Initiatives such as the Africa Philanthropy Initiative, the East Africa Foundation Learning Group and the Philanthropy Roundtables have promoted debate and research about philanthropic resources and roles.²

Corporate philanthropy growing

Odemo and Kisinga, writing in *Alliance Magazine*, report that in East Africa, corporate philanthropy is beginning to bring new actors and resources to the philanthropic landscape. For example, The East Africa Breweries, Safaricom and Unilever Foundations have demonstrated an eagerness to participate in the East African Association of Grantmakers (EAAG). The article, while encouraging, notes that the trend has yet to gather necessary momentum, and that corporate philanthropy has yet to achieve its full potential.³

Realizing the potential of the diaspora

Many African countries are recognizing the unique and significant contributions of their diaspora, and taking steps to institutionalize this giving. For example, every year, the Kenyan diaspora remits over US\$600 million to Kenya, a small but significant portion of which supports philanthropic endeavors. The Kenyan government has taken steps to develop an enabling infrastructure comprising information resources, transfer mechanisms and a national fund that will tap into diaspora funds in a structured manner.⁴ Jacqueline Copeland-Carson, Senior Fellow at the University of Minnesota's Humphrey Institute of Public Affairs, has provided a comprehensive profile of the growth, creativity, and trends of diaspora giving to Kenya.⁵

Legal and Tax Policy Environment

Survey results from Kenya indicate that the legal and tax environment is one of the principal obstacles to more widespread and significant giving in the country. The legal status of philanthropic institutions is imprecise, with no distinction between philanthropic institutions and other civil society organizations, or among different kinds of philanthropic institutions. There are few tax incentives for corporate or private giving, and the process of claiming tax deductions in Kenya is described as rigorous, burdensome, and time-consuming for the donor.

Similarly, in South Africa there is no legal entity or law pertaining to foundations, but the survey responses indicate a somewhat more favorable policy environment. Respondents note that although the laws are fragmented, it is becoming easier to establish and incorporate a philanthropic institution, philanthropic activities are not unduly limited or restricted, and the tax environment is described as generally progressive.

Obstacles and Challenges

The following table summarizes the obstacles and challenges identified by survey responses from Kenya and South Africa.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING | EXTREMELY CHALLENGING |
|---------------------------------------|-----------------|----------------------|------------------------|-----------------------|
| LEGAL ENVIRONMENT | S. Africa | | S. Africa | Kenya S. Africa |
| TAX ENVIRONMENT | | | Kenya S. Africa (2) | S. Africa |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | | S. Africa | S. Africa | Kenya S. Africa |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | | S. Africa (2) | S. Africa | Kenya |
| OTHER FACTORS ADDED BY RESPONDENTS | | | | |
| WRONG ASSUMPTIONS ABOUT THE SECTOR | | | | S. Africa |

Additional obstacles identified by respondents and the literature include:

Lack of trust and transparency

Odembo and Kisinga point out the fundamental role of trust in the development of philanthropic institutions and capital in East Africa. Since giving is founded on trust, it is quickly affected (and limited) by any perception of corruption, poor governance and/or lack of accountability. According to Odembo and Kisinga, many people view NGOs in the region as lacking transparency and accountability, and as organizations that are formed with the sole intention of tapping donor funds. The EAAG would like to establish standards of good practice in accountability and transparency, fundraising and grantmaking as well as a system to certify members' adherence to standards.⁶

Lack of reliable data and information

The Kenya survey reports that the lack of proper and centralized documentation on philanthropy creates a lack of public accountability, inefficiency, and duplication of activities. In addition, inadequate information on philanthropic strategies and approaches limits philanthropy's impact on community development. Similarly, Odembo and Kisinga emphasize that the sector needs to "improve its visibility in the region through building a knowledge and information resource base that will highlight its achievements, keep it accountable to stakeholders, and show the role and potential of philanthropy in the transformation of East Africa."⁷

Challenge of collaboration

In her survey response, Gastrow notes the difficulty of collaboration among philanthropic institutions in South Africa. “Finding common ground for corporations to work collaboratively with community foundations and other grant-making organizations is a challenge. Marketing strategies for advancing philanthropy in South Africa will hopefully promote these collaborations.”

Disconnect between traditional and new forms of philanthropy

There is a need to link new institutionalized forms of philanthropy with long-standing traditional forms. As Odembo and Kisinga report, “the challenge is to find ways in which local and foreign, informal and formal, traditional and new mechanisms of giving can blend.”⁸ The sector needs to look for innovative ways to tap into traditional philanthropy and help it become better organized, more sustainable and more effective, without destroying the spirit of giving.

Institutional Philanthropy: Models, Assets, and Expenditures

Philanthropic Models

The presence of independent, corporate, and community foundation models were all noted in the surveys from Kenya and South Africa. One government-linked foundation was identified in Kenya. The South African surveys also identified the additional local models of stokvels and burial societies.

Independent foundations

Gastrow reports that “there are hundreds of independent foundations in South Africa but few are easily accessible and most operate quietly under the radar. Significant numbers are managed by the staff of financial services companies rather than independently. Most of these foundations were founded before 1976 by wealthy white South Africans. During the height of the struggle period following 1976, people with surplus capital generally sent it out of the country. However, since 1994 and democratization there has been a resurgence of new independent founda-

tions. These foundations, set up by individuals or families, usually reflect the interests of the founder.”

There are a handful of prominent, widely-known families with their own foundations in South Africa, such as the Brenthurst Foundation established by the Oppenheimer family (De Beers-related), the Ackerman Family Educational Trust and the Donald Gordon Foundation.

Corporate foundations

Gastrow reports that “corporate social investing is common practice for South African companies and some have established corporate foundations. These are run by company staff and some are required to link with company business focus (e.g. they make grants to areas in which their employees live or they link the company’s business to the focus area of the foundation.) Corporate foundations are increasingly being established to build social capital for the company and are seen as part of good corporate citizenship.” She goes on to observe, “Over the last few years, the South African government has introduced the concept of Black Economic Empowerment charters that require that a percentage of corporate profits must be applied to corporate social investment. This has resulted in the establishment of a number of company foundations that work in partnership with non-profits.”

Christa Kulijan, former Visiting Research Fellow at the Centre for Policy Studies in Johannesburg, writes in Alliance Magazine that while corporate giving is one of the largest sources of funding for civil society in South Africa, companies remain reluctant to address inequalities and take on social justice grantmaking. In South Africa, as of 2003/04, corporate social investment (CSI) funds have gone predominantly to education and training (46 percent) and health and social development (24 percent), with the remainder going to a combination of job creation, sports, environment, arts and culture, safety and security, and housing (in descending order of size of contribution). Over the past four years, with companies recognizing the impact of HIV/AIDS, there has been a significant increase in funding for health and social development.⁹

Community foundations

In the survey from South Africa, Gastrow explains that “The general model [of community foundations] exists in South Africa, but in a form that is different from other countries. A more appropriate term would be re-granting foundations. Very few of these raise their funds from community members themselves, but rather undertake fundraising in the national corporate and international sectors to redistribute to small community based organizations.”

Other philanthropic models

Neither host-controlled foundations nor multi-purpose fundraising foundations were identified by the survey responses from Kenya and South Africa. The survey from Kenya indicated that there was one government-linked foundation, the KCB Foundation, in the country.

Gastrow describes the following additional philanthropic giving models in South Africa:

Stokvels: “This traditional mutual aid model may or may not be viewed as philanthropic in nature. They are essentially groups of people (particularly women) who come together and build a fund that will benefit members of the group in the long term, whether they provide for housing, for food baskets at the end of the year or even cars and holidays. When a member dies, members have an arrangement to bury their member, using contributions or insurance.”

Burial societies: “[Burial societies are] another traditional form of community aid. [They] collect money from members and invest it with a financial institution or an insurance company. The invested money or insured amount is used when a member dies. In short, this is a form of insurance among poor communities.”

¹ Wilkinson-Maposa, Susan. (2007, March 1). Learning from the poor philanthropist? *Alliance Magazine*. Retrieved from <http://www.alliancemagazine.org/node/986>.

² Odembo, Elkanah & Kisinga, Faith. (2005, December 1). East Africa: Realizing the potential. *Alliance Magazine*. Retrieved from <http://www.alliancemagazine.org/node/1229>

³ Ibid.

⁴ Ibid.

⁵ Copeland-Carson, Jacqueline, Ph.D. (2007, March). Kenyan Diaspora Philanthropy:

⁶ Key Practices, Trends and Issues. The Philanthropic Initiative and The Global Equity Initiative, Harvard University. Retrieved from http://www.tpi.org/resources/white_papers/kenyan_diaspora_philanthropy_key.aspx.

⁷ Odembo & Kisinga. (2005). East Africa: Realizing the potential.

⁸ Ibid.

⁹ Kulijan, Christa. (2005, June 1). Corporate social investment in South Africa – Social justice not high on the agenda. *Alliance Magazine*. Retrieved from <http://www.alliancemagazine.org/node/1369>.



PHOTO: RILEY BOBS



THE ARAB REGION

WINGS/TPI received one survey response summarizing information on several countries in the Arab Region¹ rather than individual responses on different countries. As such, much of the information in this section is taken directly from, and with much appreciation to, the survey authors, Dina Sherif of the John Gerhart Center for Philanthropy and Civic Engagement and Luma Hamdan of the Arab Foundations Forum (AFF).

Moreover this regional overview (as does the survey response) draws heavily from *From Charity to Social Change: Trends in Arab Philanthropy* edited by Barbara Ibrahim, Founding Director of the Gerhart Center, and Dina Sherif, the Center's Associate Director.² This recently published book provides an exceptionally strong and enlightening overview of the trends and practice of institutional philanthropy in the region, including case studies on eight countries.³

Philanthropic Trends

Philanthropy is firmly rooted in religious traditions and charitable impulses

The survey response highlights the long and deep religious influence on giving that continues to shape modern-day philanthropy in the region. For Muslims, traditional practices include zakat, a pillar of the faith and required of all believers, as well as sadaqa, Muslim voluntary giving. Christians give in the form of ushur or tithe, traditionally understood as giving 10% of one's income to the less fortunate. There is also waqf, most similar to an endowment in which revenue or property is preserved for philanthropic purposes. These and other forms of traditional giving are almost exclusively charitable in nature, focusing on alleviating the immediate suffering of people in need.

Institutionalized and strategic philanthropy emerging in the Arab world

Ibrahim and Sherif state that the most significant regional trend is the way in which some philanthrop-

ic actors are structuring and targeting their giving through more institutionalized models to achieve greater impact.⁴ Historically, the region has had a robust level of individual generosity and charity, but a relatively low incidence of institutionalized philanthropy and/or giving aimed at sustainable social change. There are new giving modalities that reinterpret the centuries old giving models (e.g., zakat, waqf, and ushur) as well as the establishment of a variety of new models including grant-making foundations, corporate philanthropy, social investment, and new models of collective and collaborative giving.

Closely connected to the emergence of new institutional models, some regional philanthropy is beginning to search for longer term impact and sustainable change. Ibrahim and Sherif note a growing consensus that purely charitable approaches cannot solve longstanding social and economic inequities and entrenched poverty, and that new approaches and more strategic giving practices are required for significant progress toward the solution of "big issue" problems.⁵ The authors describe how, with significant variations among the region's countries, traditional charitable giving is being augmented by giving for development, change, and social inclusion. In a complementary trend, governments are recognizing the potential of greater civic participation.⁶

The authors describe how a confluence of factors has led to a "philanthropic renaissance" characterized by larger scales and more diverse modalities of giving than at any other time in recent history.⁷ As a result of the region's rapid economic expansion – fueled by both higher oil prices and growth in related sectors – wealth creation is both on the rise and far more diversified than at any previous time. At the same time, demographic shifts and political conflicts are exacerbating problems including youth unemployment, environmental degradation, persistent poverty and the quality of education and health services. These intractable social problems, coupled with the new wealth, are leading a growing number of individuals to commit private resources to the advance of the

public good. They are also motivating some governments in the region to create more space for private philanthropic involvement in the public arena.⁸

The growth and development of philanthropy in the region is emerging in a wide range of national contexts, from Palestine – where the long-term absence of a functioning government led to a proliferation of non-profits providing basic social and welfare services – to Egypt, whose government has strongly limited the activities of private social actors for over 50 years.⁹

Business leaders playing key role

The business community has assumed a critical role in the promotion and practice of philanthropy in the region. Ibrahim and Sherif explain that during much of the 20th century the business community remained somewhat aloof from public life. But recently, business leaders increasingly see themselves as partners with government and civil society in addressing critical issues.¹⁰ They are likely motivated by several factors including elements of both altruism and self-interest. Many corporate leaders recognize that broad social and economic development is “good for business.” As in other regions, some business leaders believe that the skills and acumen that led to their success in the commercial sector can be used to strengthen the operations and impact of non-profit organizations. Other motivations likely include religious convictions and, perhaps, “pangs of conscience over their large personal fortunes.”¹¹

Diaspora giving important in some countries

Arabs in the western diaspora have been active in the establishment of foundations to serve the people in their home country or the region more broadly.¹² Of note, private diaspora philanthropy has long been and continues to be of high importance in Palestine.¹³

Collective and collaborative philanthropic approaches

There are several promising efforts in the region to collaborate across both sectors and borders. Ibrahim and Sherif observe: “Some of the most interesting and creative initiatives in Arab philanthropy are being generated at the interface between civil society, pub-

lic advocacy, and corporate social responsibility.”¹⁴ Arab governments are recognizing the advantages of collaborating with private philanthropists and corporations to address social challenges. Indeed, there are institutions in the region that are specifically called public-private partnership foundations that enjoy financial contributions from both a governmental or quasi-governmental entity and private donors, e.g., the Emirates Foundation based in Abu Dhabi.¹⁵ There is also a promising trend towards the establishment of regional funding institutions governed by a pan-Arab board of directors. Of significance in this respect is the establishment of the AFF in 2007 with a core membership of four foundations and expanding in 2010 to more than thirty foundations.

Legal and Tax Policy Environment

The survey response describes a regional policy environment that both directly and indirectly limits the growth and innovation of philanthropy in the region, but that may be slowly improving. The survey notes: “Because of certain political changes, modern 20th century governments are less supportive and less active in promoting more independent foundations or philanthropic organizations.” However, Ibrahim and Sherif suggest that, given the challenges faced by countries and the region, governments have been forced to open up spaces for greater citizen participation, and that the most progressive leaders are creating incentives for private philanthropy and encouraging public-private sector partnerships.¹⁶

Registration and regulation can be difficult and limiting

The survey points to the serious legal obstacles to registering an independent foundation. Organizations are required to have a minimum number of founding members and a management board in order to receive a license or to register. Corporations in particular are often met by the state with over-regulation and/or a lack of understanding of their efforts. In addition, government oversight in some countries can be burdensome. Philanthropic organizations are regulated by government agencies that issue licenses, monitor activities and performance, and closely watch financial activities. The monitoring bodies re-

quire prior notification of any changes in activities and reserve the right to dissolve any organization that does not abide by governing laws.

The activities of philanthropic institutions are limited by law. In all eight countries profiled in *From Charity to Social Change*, philanthropic organizations are not allowed to involve themselves in political activities or any activities that are seen as threats to “social cohesion.”

Tax and financial policy does not promote robust giving

The survey reports that in Egypt, Palestine and Lebanon percentages of donations and charitable contributions are deductible from taxable profits, encouraging corporations to participate in philanthropic activities. However, the tax exemptions are limited, with a ceiling of 20% in Palestine, 10% in Egypt and

Lebanon, and even greater limitations in Jordan. In order to promote the growth of the philanthropic sector, more tax incentives and tax relief for registered foundations are needed.

Limited protection of assets

The survey response also notes the difficulty philanthropic institutions can have in fully protecting institutional assets. Ibrahim and Sherif explain the implications for philanthropic growth in the region: “Nationalization of assets or interference with the boards of private organizations stays in the public memory and inhibits those who might otherwise build up effective institutions within their home countries.”¹⁷ They point out how, following the historic acceptance of private waqf endowments in the 20th century, many states have attempted to control and even appropriate waqf property.

Obstacles and Challenges

As indicated in the table below, the regional summary suggests that the legal and tax environment, as well as the lack of confidence in the public sector, are all extremely challenging. Public attitudes toward philanthropy are also viewed as moderately challenging.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING | EXTREMELY CHALLENGING |
|---------------------------------------|-----------------|----------------------|------------------------|-----------------------|
| LEGAL ENVIRONMENT | | | | * |
| TAX ENVIRONMENT | | | | * |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | | | * | |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | | | | * |

Additional obstacles identified by the literature include:

Religious traditions of giving may limit more strategic giving

Ibrahim and Sherif note that the religious motivation of much giving has long stimulated significant charitable contributions, but may inhibit the development of new institutional models.¹⁸ The eight-country study found that the devotion to religious giving practices is strong and motivates ever-increasing levels of charity, but the commitment to these practices and the understanding that they are part of one's religious obligations may limit other forms of giving.

Lack of reliable data and information

As in other regions, the lack of reliable philanthropic data is cited as a key obstacle to the sector's growth and impact. Ibrahim and Sherif note that the lack of documentation has prevented a regional analysis of philanthropic trends, scale and impact.¹⁹ The WINGS survey underscores this challenge, noting that there is a lack of knowledge with regard to how much money is invested socially and an inability to monitor the impact of strategic giving. Developing better data is a priority for the Gerhart Center and the Arab Foundations Forum.

Institutional Philanthropy: Models, Assets, and Expenditures

The regional survey reports on foundation models, numbers, assets and expenditures based only on AFF membership. Among AFF members, the survey identifies independent foundations (12), corporate foundations (2), community foundations (1), multipurpose fundraising foundations (16), and government linked foundations (1). The survey also adds the additional models of public private partnerships (1) and private sector partnerships or membership foundations (1). Additional details are provided below.

Independent foundations

As noted above, economic expansion and escalating social concerns have motivated some of the region's newly wealthy to institutionalize their giving in ways that can be more strategic and effective. Ibrahim and

Sherif observe that in all eight countries studied, many individuals have recognized the advantages of establishing a registered fund or endowment. They are often given a family name, and thus are commonly referred to as a family foundation. This is demonstrated by the rise in the number of endowed foundations established in the region over the past decade, with examples such as the Sawiris Foundation in Egypt, established in 2001 and the Mohammed bin Rashid Al Maktoum Foundation, established recently in May 2007 in the UAE.

Regarding the operating models of the independent foundations who are members of AFF, the report identifies those that are principally operating (2), hybrid (8), and unknown (2). Ibrahim and Sherif note the existence of grantmaking foundations, operating foundations, and hybrids, although no data on the different models is available. They further observe a tendency for some grantmaking foundations to shift over time to more in-house programs.²⁰

Corporate philanthropy

As discussed above, the business community in many countries has become an important force in strategic philanthropic investment and corporate giving programs exist in all eight countries studied by the Gerhart Center.

The Gerhart Center found interesting areas of overlap between traditional philanthropic activities and corporate responsibility efforts, and indicates that business leaders do not see the two as distinct or contradictory. For example, zakat contributions can be used to create job-training programs. CSR programs with a company "bottom line" might be financed through corporate contributions, while other activities could be funded by private contributions from the firm's executives and employees.²¹

In addition, Ibrahim and Sherif describe the religious-based corporate philanthropy in the region. Islamic banks, publishing houses and other religiously-based companies are active in charitable philanthropy. There are similar Christian charities and companies. While no reliable numbers are available on the scale of religiously-based corporate giving, it is thought to be significant and likely more traditionally charitable in nature.²²

Community foundations

Community foundations seem to be relatively rare in the region. The AFF has two community foundation members. A model to enable multiple small donors to pool their financial resources for a common purpose, often directed to a geographic locale, operates informally in many parts of the region. This type of community-based philanthropy may be on the rise. Examples of mobilizing broad resources at the local level include the King Hussein Cancer Foundation in Jordan, Wakfayit El Maadi (El Maadi Community Foundation) in Egypt and Dubai Cares in the UAE.²³

Other models of institutional philanthropy

AFF membership includes five *multi-purpose fundraising foundations*, one *government-linked foundation*, and one philanthropic institution described as a *partners or membership model*. Information regard-

ing assets and expenditures of these member institutions is included in Part Two.

The *partners or membership model* is a collective institutional model that pools philanthropic resources. A group of two or more entrepreneurs might pool their resources to address a common social cause. The oldest example identified in this category is Palestine's 27-year-old Welfare Association, which distributed more than 4,000 grants worth US\$300 million to fund close to 5,000 projects between 1983 and 2008.²⁴ More recent examples include the Egyptian Food Bank and Ruwwad in Jordan, which was spearheaded by ARAMEX in Jordan.

Ibrahim and Sherif also report that in countries where waqf structures are not too closely controlled, e.g., Kuwait and Qatar, that this remains a preferred form of endowed private philanthropy.

¹ The WINGS geographical taxonomy includes a region encompassing North Africa and the Middle East. Because the only survey response from this region is a summary on eight Arab countries, this report has used the more specific regional designation of the Arab Region.

² Ibrahim, Barbara & Sherif, Dina (Eds.). (2008). *From Charity to Social Change: Trends in Arab Philanthropy*. Cairo: American University in Cairo Press.

³ The Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Kingdom of Saudi Arabia, Palestine, The Republic of Lebanon, The State of Kuwait, the State of Qatar, and the United Arab Emirates.

⁴ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 6.

⁵ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 12.

⁶ Ibid, p.188.

⁷ Ibrahim, Barbara Lethem. (2006). *Strengthening Philanthropy and Civic Engagement in the Arab World: A Mission for the John D. Gerhart Center*. Revised version. American University in Cairo, Symposium: Promoting Philanthropy and Civic Engagement in the Arab World. 2005, Oct 30 – Nov 1. Retrieved from http://www.aucegypt.edu/ResearchatAUC/rc/gerhartcenter/Documents/StrengtheningPhilanthropyandCivicEngagementintheArabWorldJune2006_000.pdf.

⁸ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 7.

⁹ Ibid, p. 7.

¹⁰ Ibid, p. 14.

¹¹ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 14.

¹² Ibrahim, Barbara. (2006). *Strengthening Philanthropy and Civic Engagement*, p. 6.

¹³ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 13.

¹⁴ Ibid, p. 17.

¹⁵ Ibid, p. 188.

¹⁶ Ibid, p. 1.

¹⁷ Ibrahim & Sherif. (2008). *From Charity to Social Change*, p. 13.



PHOTO: M. R. HAYATA



ASIA PACIFIC

Survey responses were received from nine Asian and Pacific countries: Australia (2), Bangladesh, India (3), Indonesia, New Zealand, Philippines, Singapore, South Korea, and Thailand (2).

Looking across the region, little quantitative or comparative information was available. Many countries lack mechanisms to track philanthropy within their borders, and definitions and typologies of philanthropic institutions vary widely across the region.

Philanthropic Trends

Philanthropic giving has deep religious roots

Throughout Asia, countries have long traditions of giving firmly rooted in religious beliefs and local customs. Survey respondents from India, Indonesia, Bangladesh, and Thailand all emphasize the concepts of giving in their historical religious philosophies -- Buddhism, Islam, Hinduism, and Christianity. In many countries, philanthropy remains closely linked with religion, and religious activities receive generous charitable support.

Significant variations across the region

The countries in the geographically-grouped Asia Pacific region are historically, economically, and culturally diverse, and there are similarly wide variations in the scope, scale and shape of institutional philanthropy among these countries. The Bangladesh survey reports the country is in the very early stages of formalized institutional philanthropy, with limited numbers of independent and corporate foundations, and no community foundations. In contrast the surveys from Australia and New Zealand describe environments with multiple philanthropic models and significant numbers of philanthropic institutions. Little quantitative data is available, but by way of example, in Australia there are 27 active community foundations.

Recent growth of the institutional philanthropic sector

The region has seen considerable growth in institutional philanthropy over the last 10-15 years, likely fueled by both the increase in regional wealth and the more recent financial crisis and concomitant rise in social needs. The wealth tracking firm Merill-Capgemini reports that while the number and assets of high net worth individuals (HNWIs) in the Asia Pacific region have declined since the high of 2007, the region is still home to approximately 30% of the world's HNWIs¹, though the wealth is highly concentrated in a few countries, with 54% of the HNWIs living in Japan and 15% in China.

Quantitative data on regional giving, particularly institutional giving, is extremely limited. Examples from the survey countries provide a few examples of the perceived growth of the sector:

- The Thailand survey reports the establishment of a number of community-based foundations to address the repercussions of the financial crisis and a broader movement to create other forms of foundations such as family foundations, corporate foundations, and Royal Family foundations.
- South Korea reports that while social welfare has long been considered the government's responsibility, the economic crisis beginning in 1997 shifted this mindset, and marked the beginning of a gradual increase in philanthropic giving.
- New Zealand reports significant growth in the philanthropic sector over the last 15 years, ranging from small private family foundations to large statutory grantmakers.
- In India there are secondary indicators of philanthropic growth in the country. For example, the Financial Express recently highlighted the rapid growth of philanthropy advisory services by private bankers such as UBS, Citibank, Deutsche Bank, and Standard Chartered, where the demand for philanthropy-related services is on the rise.

- In Singapore, the idea of sharing wealth is reportedly gaining broader support. Families who have made fortunes in banking and trading have set up foundations involved in a wide range of activities.²

While no survey was submitted for China, the rapid rise of institutional philanthropy in the country warrants special mention. The growth is attributed to a number of factors, including the country's economic development, the increased exposure to philanthropic practices in other countries, and the Sichuan earthquake of 2008. An article from Harvard University's Hauser Center estimates that there are 900 philanthropic entities in the country.³ The first annual China Foundation Philanthropy Forum was held in 2008 and attended by approximately 500 individuals. Many high-profile entrepreneurs are pledging parts of their fortunes to philanthropy: Asia's wealthiest individual, Li Ka-Shing, has pledged US\$10 billion to his foundations; a prominent talk show host, Yang Lan, has donated an estimated US\$72 million to set up a foundation and Yu Pengnian, a Shenzhen hotel and real estate entrepreneur, has donated close to US\$270 million to charitable causes.⁴ In the wake of the Buffett/Gates Giving Pledge, the head of the One Foundation Philanthropy Research Institute at Beijing Normal University, has urged the country's billionaires to give at least a million yuan (US\$150,000) a year to charity.⁵

Towards strategic giving

In some countries there appears to be a shift away from traditional charitable giving to more strategic giving aimed at achieving significant social change. *Forbes India* notes that some family and corporate foundations in the country are shifting to philanthropic practices characterized by a professional approach to solve complex issues, the use of metrics, and strategic decision-making.⁶ In Hong Kong, the ZeShan Foundation convened a conference on strategic family philanthropy in 2009 attracting over 100 individuals. A recent headline in the Singaporean *Business Times* declared, "Philanthropy gets professional: There is a shift to strategic giving and inclination to get involved." Albert Teo, the director of

Singapore's Centre of Social Entrepreneurship and Philanthropy noted that many foundations "are now more strategic, with a clear vision of what they want to give to and how."⁷

More partnerships and collaboration

The surveys suggest that there are a number of philanthropic and cross-sectoral partnerships emerging across Asia and the Pacific to affect social change, and also with goals of promoting philanthropy and volunteering. For example, in the Philippines, a diverse group of foundations and other institutions teamed up with the Asian Institute of Management-Migrant Center for Bridging Societal Divides to bring options for peace building and development to conflict-ridden areas.⁸ New Zealand reports an increase in collaborative initiatives, including a partnership between the philanthropic sector and the government to promote individual and corporate giving and volunteering called "The Generosity Project." A *Forbes India* article noted that new foundations in India tend to enter into partnerships with other like-minded organizations (local, national, and foreign) for aid, sharing of expertise and the potential to achieve larger scale impact.⁹

Importance of diaspora giving

Diaspora philanthropy is an increasingly recognized and important model of institutional philanthropy in the region, and giving from the U.S. to several Asian countries has been well documented.¹⁰ Many governments are recognizing the potential of their diasporas to contribute to their nations' economic and social development and have established policies to cultivate ties with diaspora communities and encourage both economic and social investment. While the lion's share of diaspora giving is individual, it also takes many institutional forms, including giving by diaspora foundations, professional groups, hometown associations or neighborhood groups. A growing number of non-profit organizations and intermediaries (e.g., the America India Foundation and Give2Asia) are offering expertise and infrastructure to support diaspora giving initiatives.

Legal and Tax Policy Environment

Over the past twenty years there has been a push to improve the legal and tax environment for non-profit organizations throughout the region. The reasons for this effort are varied, but generally include (1) a relaxation of government controls following the Cold War era, (2) rapid economic development in a number of countries leading to increased interest in philanthropy (3) greater attention to civil society as a result of globalization, and (4) the transition of certain countries from socialist governments and authoritarian rule.¹¹ Still, the legal and tax environment varies widely across the region. In some countries, there is much room for improvement in the enabling environment for institutional philanthropy, particularly around tax policy. Surveys highlighted the following challenges:

- The South Korea survey reports that recent policy changes have improved the environment for giving, but that significant obstacles – particularly highly complicated and confusing laws for tax deductions – hinder efforts to create a culture of giving and promote transparency.
- Australia notes that the policies governing foundations can be both complex and administratively burdensome, particularly for nationally-operating institutions.
- Bangladesh has limited tax incentives for contributions, and the government taxes foundation endowment interest income.
- Indian law provides some tax benefits for charitable giving, but still has a number of restrictions. For example, anonymous donations to charitable organizations are no longer tax exempt; however, donations to religious organizations remain tax free because of a long held belief that concealing ones identity brings spiritual merit.¹²

In contrast, some countries reportedly have a relatively hospitable legal and tax policy environment. New Zealand describes a positive policy environment with no substantial barriers to establishing or maintaining philanthropic structures and no undue accountability burdens. The Singapore survey reports that their tax

policies encourage giving, and that the government improved the tax treatment of foundations in 2009 to encourage greater giving in the economic downturn.

Additional obstacles identified by respondents and the literature include:

Legal and policy environment a major obstacle

As described above, the surveys identify tax and legal policies as a major obstacle to the development of institutional philanthropy. Respondents from seven of nine countries indicate that the legal environment is moderately or extremely challenging; only in New Zealand was the policy environment viewed as not challenging. Similarly, respondents in seven of nine countries perceive the tax environment to be moderately to extremely challenging.

Lack of confidence in philanthropic and non-profit sectors

Respondents in seven countries report public attitudes toward philanthropy to be some level of challenge; this seems particularly prevalent in India, Indonesia, and Thailand. The survey from India notes that philanthropic institutions have not yet succeeded in promoting philanthropy effectively, and that corporate foundations do not yet have credibility. Thailand's survey suggests that NGOs need to be more transparent, professional, and accountable. After a number of controversies surrounding some high-profile charities in Singapore in the early part of the decade, a survey by the National Volunteer and Philanthropy Centre found that only 28% of respondents reported above moderate to complete confidence in charities.

Lack of confidence in public sector

Similarly, all nine countries perceive the lack of confidence in the public sector to be a challenge to philanthropy, with Bangladesh, India, and Indonesia ranking it as moderate to severe. Indonesia's survey notes the impact of government corruption on institutional philanthropy. In 1996, President Soeharto required entrepreneurs and state-owned banks to donate 2% of their after-tax profit to two poverty alleviation funds, which were later found to have lacked

Obstacles and Challenges

The following table summarizes the obstacles and challenges identified by survey responses from Asia Pacific.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING | EXTREMELY CHALLENGING |
|---|-----------------|--|---|---|
| LEGAL ENVIRONMENT | New Zealand | India Thailand | Australia Bangladesh India Indonesia Philippines South Korea Thailand | Australia India |
| TAX ENVIRONMENT | | New Zealand Thailand (2) | Australia (2) India (2) Indonesia Philippines South Korea Thailand | Bangladesh India Thailand |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | | Australia New Zealand Philippines South Korea | Bangladesh India (2) Thailand | Australia India Indonesia Thailand |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | | Australia India New Zealand South Korea | Australia Indonesia South Korea Philippines | Bangladesh India (2) Thailand |
| OTHER FACTORS ADDED BY RESPONDENTS | | | | |
| LACK OF ORGANIZED INFORMATION | | | | Philippines |

transparency and were used to support some commercial projects. It appears that institutional philanthropy is inhibited in countries where there is little hope or expectation of social change and economic development.

Lack of data and information available on institutional giving, assets, models

A number of responses (India, Bangladesh, Philippines, Thailand and Indonesia) cite the lack of data about institutional giving as a significant obstacle to the growth and impact of institutional philanthropy. Other countries, such as New Zealand, have more data but suggest that the research on giving is still incomplete and fragmented.

Institutional Philanthropy: Models, Assets, and Expenditures

Each of the institutional models identified by WINGS/TPI appears to exist in the region. From the limited data, it is not possible to analyze the information or compare the models with any reliability. None of the countries' respondents were able to provide any aggregated information on philanthropic assets and expenditures.

Independent foundations

Three countries (Australia, India, and Thailand) identify independent foundations. It is likely that independent foundations exist in most of the region's countries, albeit in limited numbers and distinct forms, but that respondents did not have relevant data.

As in other regions, there is no clear distinction between independent and corporate philanthropy in many of the countries surveyed, and it is not possible to firmly put foundations in one category or the other. Forbes India reports that the most common model of institutional philanthropy in the country is the "family-corporate jugalbandi." This is a philanthropic foundation or trust largely funded by a business but run under the leadership of the business family. An example is the Krishi Gram Vikas Kendra, set up by Usha Martin Limited, which receives a fixed annual grant from the company.¹³

There are notable high profile private foundations founded by well-known individuals. After the 2004 tsunami, Singaporean martial artist and film star Jet Lee formed his own non-profit called The One Foundation to support international disaster relief efforts and other issues.¹⁴ Chen Fashu, chairman of China's New Huadu Industrial Group, has declared his intention to establish the New Huadu Philanthropic Foundation as the country's largest private philanthropic fund, endowed with 45% of his personal wealth (approximately US\$1.2 billion) and focused on providing education to impoverished areas of China.¹⁵

Corporate foundations

Corporate philanthropy has gained prominence in the region's philanthropic landscape, as economies

in certain countries have grown over the last few decades. Although there are no data with which to estimate the scale of corporate philanthropy, there are some indications of its breadth. In Australia, a survey by the Centre for Corporate Public Affairs and the Business Council of Australia reported that 37% of responding companies have foundations. The China Charitable Donation Information Center reports that privately owned business account for 43% of all domestic donations.¹⁶ In the Philippines, the League of Corporate Foundations has over 70 corporate foundation members.¹⁷ A 2002 survey of 226 companies in ten cities in Indonesia found that 93% of companies had made charitable donations in the past three years (much of this giving was informal: only 13% had a special internal organization to handle giving and only 18% had a written policy on donations).

According to Capgemini/Merrill Lynch, high net worth business founders in Asia have allocated more of their portfolios to philanthropy than those in other regions (12%, compared to 8% in North America and the Middle East, 5% in Europe, and 2% in Latin America).¹⁸

Community foundations

Surveys identify community foundations in four countries (Australia, India, New Zealand, and Thailand) and several surveys report a growing interest in community foundations, with initiatives to promote the model in India, the Philippines and Thailand supported by local organizations and funders. The Australia survey reports their community foundation sector has developed considerably over the last 10 years, with 30 community foundations now established across all the states and territories and nine under development. New Zealand reports an emergence of community foundations (eight), most of which are supported by a family foundation. Singapore has developed a unique community foundation focused on attracting only high net worth donors.¹⁹

Multi-purpose fundraising organizations

Australia, India, and Thailand note the existence of multiple multi-purpose fundraising organizations. Indonesia's survey described philanthropic institutions

set up to serve specific sectors or issues, which may fit this WINGS category.

Government-linked foundations

Australia, New Zealand, and Thailand report government-linked foundations. The New Zealand survey notes that in the late 1980s and 1990s, a number of government policies led to the establishment or

growth of community trusts, energy trusts, licensing trusts, gaming trusts, and a national lottery. Some are closely linked with the government (community trusts and lottery grants board) through government-appointed trustees. Others are more independent, with elected or self-appointed trustees. Currently, 83% of all philanthropic giving comes from these statutory trusts with only 17% coming from “voluntary trusts” (private foundations).

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EUROPE

There is more quantitative data on philanthropy in Europe than on most other world regions. In many European countries, the philanthropic sector has been well documented by national associations with input from the European Foundation Centre (EFC). The EFC has collaborated with a team of researchers at the national level, and based on the national research, EFC has published a wealth of valuable information, including the 2008 summary, *Foundations in the European Union: Facts and Figures*. In addition, a new analysis of the sector, building on EFC's work, is provided in the recently released *Feasibility Study on a European Foundation Statute*, researched and authored by the Centre for Social Investment at the University of Heidelberg and the Max Planck Institute for Comparative and International Private Law and published by the European Commission (2009). These two documents are available from the EFC and this WINGS/TPI report draws extensively on both.¹ It should be noted, however, that the Feasibility Study refers only to the European Union (EU) while this report encompasses the entirety of Europe.

WINGS survey responses were received from eight European countries: Germany, Poland, Russia, Slovakia (2), Spain (2), Turkey, Ukraine, and the United Kingdom. Considering the responses regionally, it is fair to say that detailed quantitative information is limited. There was more data available for certain countries (e.g., Germany) than for others, and for specific institutional models (e.g., community foundations) than for others. Survey responses are provided in relevant sections below.

Philanthropic Trends

Growth of institutional philanthropy

European philanthropy has grown dynamically in the last 20 years, and the work of philanthropic institutions continues to take on greater significance in the region. The Feasibility Study and EFC both report on the recent rapid growth of the sector, and the

WINGS survey responses provide examples of this expansion in individual countries.

The Feasibility Study estimates that there are approximately 110,000 foundations² in the 27 European Union (EU) member countries; the EFC estimates that over 40% were established since the early 1990s.³ The Feasibility Study suggests several reasons for this remarkable growth including (1) the significant generational transfer of private wealth and the share of it that is converted to philanthropic capital, (2) a tendency in many Member States to delegate some public functions to private organizations, and (3) the reform of national foundation, charity, and/or tax laws in an effort to encourage foundations as an instrument for private action in the public interest.⁴ Notable examples of this growth include:

- In Germany, between 1994 and 2004, the number of independent foundations increased by 100%, with over 6,500 new independent foundations created.⁵
- In Ireland, between 2000 and 2005, the number of foundations increased from 30 to 107, or 257%.
- In Italy, since the 1990 passing of the Amato law, which led to the establishment of 90 foundations of banking origin, the number of independent foundations has increased by 133%.⁶
- The survey from Poland reports that of the 30 community foundations in the country, approximately 20 were established in the last ten years.

Significant variations across region

The philosophy, character, legal status, and scale of philanthropy vary widely across Europe. Cultural traditions, religious mores, political histories, and the economic strength of individual countries have profoundly shaped the charitable sector in each country and created a rich and diverse philanthropic landscape across the region. Both legal definitions and the public understanding of “philanthropy,” “foundation” and associated terms vary from country to

country. Foundations' missions, activities, and operating models also vary widely.

Helmut Anheier, writing in 2001 in *Foundations in Europe*, provides an insightful comparative overview of the foundation sector landscape.⁷ He notes that in the U.K. charitable trusts have operated for a long period of time and in a wide range of activities and continue to do so. In the Nordic countries there is a substantial foundation sector which plays an important role in welfare and social services. In contrast, the number of Austrian foundations – affected by two World Wars, economic upheaval and political doctrine – fell precipitously from over 60,000 at the beginning of the 20th century to fewer than 10,000 at the beginning of the current century. Looking at the former socialist countries of central and eastern Europe, foundations are relatively few in number, although significant levels of support from outside funding has encouraged the emergence or re-emergence of foundations in many of these countries.⁸

New models of philanthropy are emerging

Innovation and diversification in philanthropic institutions and social investment approaches are on the rise. Philanthropic institutions and philanthropists in Europe are embracing new ways of giving -- e.g., venture philanthropy, and new types of philanthropic financing, including loans and equity -- to support charities and social enterprises. Among the survey respondents, Germany, Spain, and the UK all have organizations that are members of the European Venture Philanthropy Association.

EFC also reports a growing number of foundations looking into collaboration as a way to address economic and social challenges. For example, a group of four Italian bank-based foundations, called the *Fundazioni4Africa*, is working to improve the lives of Africans, both in Africa and in Italy.⁹

Growing body of research and knowledge

There is increasing empirical research on the scope, practice, and impact of organized philanthropy in Europe. In addition to the notable studies mentioned above, organizations in several countries are developing, and making public, information on the sector. By way of example from survey responses, the Spanish

Association of Foundations is aggregating information from 60 different supervising authorities and has conducted a survey of 250 members regarding annual accounts; the Slovak Donors' Forum provides a regular "Report on the State of Slovak Foundations. In 2008, regional philanthropy researchers established the European Research Network on Philanthropy (ERNOP) to further advance and coordinate philanthropic research in Europe; it now comprises 60 members from 18 European countries.

Towards a European Foundation Statute

There is growing momentum to create a European Foundation Statute (EFS) that would establish a new, legal form of a "European Foundation" allowing foundations to work more effectively and efficiently in more than one EU Member State.¹⁰ The proposed statute recognizes that foundations are increasingly international in their work (e.g., two-thirds of EFC members are active outside of their country of origin) but that various civil and tax law barriers hinder this work and add to its cost. The EFS would be an *optional* and *additional* instrument that funders and foundations active in more than one EU Member State could use instead of setting up individual foundations to comport with the national laws of individual countries. The Feasibility Study was carried out for the European Commission in 2008 and public consultations were conducted in 2009.

Legal and Tax Policy Environment

Policy and tax environment varies across the region

There are considerable differences in the regulatory environment for foundations in the EU Member States, including issues related to the legal forms of foundations, the requirements to create a philanthropic institution, capital formation and endowment building, regulation and oversight, and taxation of charitable gifts. Recognizing the differences, the Feasibility Study concludes that the public benefit foundation is the most important model and, considering this model alone, that the important regulatory similarities are more substantial than the differences.¹¹

The surveys suggest that some countries may be

benefiting from an increasingly favorable policy environment, with governments seeking a balance between providing necessary government oversight and not creating administrative burdens or regulations that inadvertently limit philanthropy. In recent years, several countries have enacted new legislation to improve the operating environment for philanthropic institutions. For example: Germany reformed its non profit and donation law in 2007; Poland defined civil society organizations for the first time in 2003 and subsequent policies have made the tax environment more favorable; and the survey from Turkey notes an “increasingly supportive environment for philanthropy,” with reform beginning in 2001 and including additionally enabling laws in 2003 and 2004.

Despite the advances in some countries, the policy environment reportedly represents a significant barrier to institutional philanthropy in other countries in the region. Seven of nine respondents rated the tax environment as moderately to extremely challenging, and five of nine surveys rated the legal environment as moderately to extremely challenging. Several surveys provided specific examples of legal and policy obstacles:

- In Spain there are 60 supervising authorities and 17 autonomous regions, each with its own set of laws and decrees. Foundations have the burdensome requirement of providing different information in different formats to various authorities.
- In Ukraine there is a similar lack of a nationally unified policy. In addition, the survey notes a complex registration process, inconsistency of the laws’ provisions, a lack of favorable tax benefits for corporations, and the absence of legal regulation for certain types and forms of philanthropy.
- A report of the Third Sector Foundation of Turkey notes that in a recent survey, 65% of foundations considered legal regulations to be an obstacle to their operations.¹² The survey also notes that the range of activities in which foundations are allowed to engage is very narrow.

Impediments to cross-border giving

The Feasibility Study illuminates the particular legal barriers associated with foundations’ cross-border activities. Significant obstacles to international philanthropic activities exist in both civil and tax law, and while some obstacles can be overcome, it is often expensive to do so. The Feasibility Study estimates that the calculable cost of barriers against cross-border activities of European foundations is €90 to €102 million with additional and significant incalculable costs.

Additional obstacles identified by respondents and the literature include:

Legal and tax environment is a major obstacle

As described above, a number of the WINGS surveys from Europe identify several challenges posed by the legal and tax framework, and the Feasibility Study demonstrates the particular obstacles related to cross-border philanthropy.

Lack of confidence in the philanthropic sector

In some countries, foundations and the broader non-profit sector may need to continue to demonstrate their value to both governments and the public. Among European survey responses, “public attitudes toward philanthropy” was reported as a moderate or extreme challenge in five countries. For example, the survey response from Slovakia observes that the government does not see philanthropy as an important element in addressing national problems and the response from Ukraine notes that there must be a concerted effort to increase the level of community trust in philanthropic institutions. The survey from Poland observes: “The public attitude towards philanthropy is the most important, as well as the most challenging, obstacle to the growth and practice of institutional philanthropy in Poland.”

Historical perspectives on sectoral roles inhibits philanthropic impact

Several survey respondents noted that in their country there remains a widespread public perception that government, not private philanthropy, should continue to provide social services. Also, despite the optimistic shift to strategic giving approaches in some

Obstacles and Challenges

The following table summarizes the obstacles and challenges identified in survey responses from Europe.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING | EXTREMELY CHALLENGING |
|---------------------------------------|---------------------|----------------------|---|-----------------------|
| LEGAL ENVIRONMENT | UK | Germany Turkey | Poland Russia Spain Ukraine | Slovakia |
| TAX ENVIRONMENT | | Spain UK | Germany Poland Russia Slovakia Turkey UK | Ukraine |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | | Germany Turkey | Russia Slovakia Ukraine | Poland Spain |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | Germany Slovakia | Spain UK | Russia Turkey Ukraine | |
| OTHER FACTORS ADDED BY RESPONDENTS | | | | |
| PUBLIC ATTITUDES TOWARDS NON-PROFIT | | | Slovakia | |
| WEAK ECONOMY | | | | Slovakia |

countries, many philanthropic institutions and the public view the role of philanthropy as one of charitable and/or cultural foci rather than as a catalyst for social change. The survey from Slovakia notes that the giving practices of many of the country's corporate foundations are still based on charity, rather than strategy. In Russia, witnessing rapidly growing personal wealth (the 2006 Forbes Rich List reports 33 billionaires), donors are described as favoring non-controversial causes, such as the arts, churches, education and health.¹³

Uneven regional knowledge on philanthropic scope and impact

Despite the welcome increase in research and knowledge-building activities in the region, the availability of philanthropic data in many countries is limited, and data among countries is not easily comparative. The Feasibility Study sounds a strong note of caution regarding available data, emphasizing that the current data situation is “precarious” and that “only a systematic and coordinated effort can remedy a data situation that unfortunately prohibits reliable, systematic comparisons.”¹⁴ Surveys from Spain, Slovakia, Turkey, and Ukraine all echo the need for more robust and reliable data.

Institutional Philanthropy: Models, Assets, and Expenditures

The Feasibility Study and the EFC reports provide extensive analysis on the shape, size and economic weight of the region's foundation sector. Survey responses provide additional national level data. It needs to be emphasized, again, that definitions, taxonomies and methodologies among sources differ. While data can be presented it cannot be analyzed.

Philanthropic Models

Most governments do not distinguish between the types of philanthropic institutions defined by the WINGS survey, and only a limited number of research efforts have attempted to analyze more specific types of foundations. The Feasibility Study focuses on public-benefit foundations, a broader classification than that used by WINGS/TPI.

Based on a review of many national level studies it is likely that, similar to other regions, most if not all European countries have independent, corporate, and community foundations as defined by the WINGS survey (albeit with variations in definitions and levels). Many countries likely also have government-linked foundations and host-controlled foundations. All of these appear to be included within the Feasibility Study's definition of a public-benefit foundation.

Independent foundations

The Feasibility Study estimates that there are 110,000 public benefit foundations in 27 Member States. Independent foundations are described as by far the most common foundation type in the EU, comprising over 90% of the foundations in Germany, Italy and the UK.

The EFC notes that many public benefit foundations are established by individuals using personal wealth, or sometimes by a group of several individuals. Foundations established by families are also common, particularly in the UK where family foundations represented 38% of the top 500 grantmaking trusts in 2007. Private institutions – often associations –

have also created a significant number of foundations; in France and Sweden, associations and other non-profit organizations account for 16% of all foundations. Corporations and public authorities also establish public benefit foundations.¹⁵

It is generally difficult to distinguish between foundation operating models, e.g., those that are principally grantmaking, operating, or a hybrid of the two, and neither the Feasibility Study nor the EFC provides data on this institutional characteristic. A few of the WINGS surveys report on operating models:

- The survey from Germany reports that almost 60% of the independent foundations in the country are principally grantmaking, 30% are principally operating, and the remaining 10% are a hybrid.
- Slovakia reports that 18% of the foundations are principally grantmaking, 26% are principally operating, 37% use a hybrid model, and the operating model of 19% is unknown.
- The Ukraine survey identifies ten independent foundations, of which one is grantmaking, eight are operating, and one employs a hybrid model.
- Turkey notes that there are likely no grantmaking institutions in the country.

Anheier suggests that within the region only British foundations are almost exclusively grantmaking. He further notes that in most central and Eastern Europe countries, foundations are likely to be operating, while in most other countries foundations will likely combine grantmaking and service delivery in a hybrid operating model.¹⁶

Community foundations

The WINGS surveys jointly identified a total of 377 community foundations in Europe, which include foundations in Germany (220), where the Bertelsmann Foundation has invested significantly in their establishment, Russia (40), Slovakia (14), Spain (3), Turkey (1), United Kingdom (57). Of the 377, at least 300 were reportedly established in the past 10 years. Operating models vary; 285 (75%) were described as using a mixed model while 69 (18%) were identified as principally grantmaking; all but one of these are in the UK and Slovakia.

Corporate foundations

Data on corporate foundations in the region is limited, as the model is not frequently analyzed separately from public benefit foundations.

In the WINGS survey, five countries identified a total of 1,170 corporate foundations, including Germany (1,000), Poland (50), Russia (10), Slovakia (101) and Ukraine (9). In Slovakia, the number of corporate foundations has reportedly tripled since 2002, likely attributable to a change in law allowing corporations to allocate 2% of income tax to charitable purposes. Similarly, in the Ukraine, of the nine corporate foundations identified, only three have been in operation for more than ten years.

Other institutional models

In the WINGS survey, only Germany and Ukraine reported the existence of the host-controlled foundation model, with Germany reporting 20,000, all of which are principally grantmaking, and Ukraine reporting 1,099, of which all but two are operating. It is likely that the model exists in many other countries, but that data have not been collected.

The EFC reports that *government-linked foundations* are found in most EU member countries. In 2005, public authorities accounted for 2.5% of foundation funders in France to 16% in Belgium.¹⁷ The EFC notes that governments often view this as a flexible tool to increase resources for public policies regarding public and private support for economic and social development. In the WINGS survey, four countries (Germany, Poland, Russia, Turkey) reported the existence of this model.

The EFC also includes *multi-purpose fundraising foundations* in the broader category of independent foundations. In response to the WINGS survey, the model was reported by Germany (700), Russia (many), and Ukraine (1,100). As with other models, it is likely that the model exists in other countries.

Several additional models were identified in the surveys including old foundations (Turkey), religious foundations (Ukraine), voluntary fire service (Poland), Savings Banks (Spain), and philanthropic intermediaries (UK). Based on the limited information available in the surveys it cannot be determined which, if any, of these might accurately fit within the WINGS definitions for other models.

Philanthropic assets and expenditures

The Feasibility Study reports that the foundation sector in Europe consists of approximately 110,000 foundations, with assets estimated at €1,000 billion and expenditures of €153 billion.¹⁸ The Study also cautions that “it is important to keep in mind that this includes operating foundations with very substantial budgets generated from income or from public transfer payments.”¹⁹ It also emphasizes the very unequal distribution of assets among EU member countries, as well as the concentration of assets within the largest foundations.

- ¹ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study* and EFC Research Task Force. (May 2008, May). *Foundations in The European Union: Facts and Figures*. European Foundation Centre. p. 7. Retrieved from http://www.efc.be/NewsKnowledge/Documents/EFC-RTF_EU%20Foundations-Facts%20and%20Figures_2008.pdf.
- ² The EFC uses the following definition for a public benefit foundation: "Public-benefit foundations are asset-based and purpose-driven. They have no members or shareholders and are separately-constituted non-profit bodies. Foundations focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They each have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies."
- ³ EFC Advocacy Task Force. (2009). *The Case for a Long Overdue European Foundation Statute*. European Foundation Center. Retrieved from [http://www.efc.be/European-FoundationStatute/Documents/efs_case_web%20\(2\).pdf](http://www.efc.be/European-FoundationStatute/Documents/efs_case_web%20(2).pdf).
- ⁴ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study*, p. 27-28.
- ⁵ EFC Research Task Force. (May 2008). *Foundations in The European Union*, p. 7.
- ⁶ Ibid, p. 8.
- ⁷ Then, Volker & Walkenhorst, Peter (eds.) (2001). *Foundations in Europe: Society, Management and Law*. Bertelsmann Foundation, p. 3.
- ⁸ Ibid, p. 37
- ⁹ Hudson Institute Center for Global Prosperity. (2010). *The Index of Global Philanthropy and Remittances 2010*, p. 46-47. Retrieved from http://www.hudson.org/files/pdf_upload/Index_of_Global_Philanthropy_and_Remittances_2010.pdf.
- ¹⁰ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study* and European Foundation Centre. European Foundation Statute.
- ¹¹ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study*, p. 2.
- ¹² Bikmen, Filiz. (2006, December). *The Landscape of Philanthropy and Civil Society in Turkey*. Istanbul: Third Sector Foundation of Turkey.
- ¹³ PiE's Top 50 givers & Top 20 richest. (December 2006). *Philanthropy in Europe*, (25), 1-20. Retrieved from http://www.philanthropyineurope.com/PiE_25.pdf.
- ¹⁴ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study*, p. 16.
- ¹⁵ EFC Research Task Force. (May 2008). *Foundations in The European*, p. 11.
- ¹⁶ Anheier, Helmut K. (2001). *Foundations in Europe: A Comparative Perspective*. In Andreas Schlueter, Volker Then and Peter Walkenhorst (eds.), *Foundation Handbook Europe*. London: Director of Social Change, p. 54.
- ¹⁷ EFC Research Task Force. (May 2008). *Foundations in The European Union*, p. 11.
- ¹⁸ Hopt, Hippel, Anheier, Then, Ebke, Reimer, & Vahlpahl. (2007). *Feasibility Study*, p. 18.
- ¹⁹ Ibid, p. 23.





LATIN AMERICA & THE CARIBBEAN

Surveys were returned from three countries in the region: Brazil, Colombia and Mexico. Given the limited number of responses, it is not possible to draw any regional conclusions, but the individual country information, summarized below, is informative and may be indicative of wider regional trends and characteristics meriting research.

Similar to other regions, the lexicon of the Latin American philanthropic sector challenges any analysis of the sector. As in most parts of the world, the term “foundation” applies to a wide range of non-profit organizations including endowed institutions (both grantmaking and operating) as well as organizations that are providing an enormous variety of direct services and programs; there is limited research that looks specifically at philanthropic institutions as defined in this study.

Philanthropic Trends

Philanthropy demonstrates its deep historical religious and cultural roots

The Latin American region has longstanding and diverse traditions of philanthropy, giving, and mutual aid. Despite the diversity, many countries’ philanthropic landscapes show common and deeply-embedded roots in religion and solidarity. At least 80% of Latin Americans consider themselves Catholic, and so it is little surprise that charitable religious tenets continue to influence philanthropy in the region. In the colonial period, the Church provided much of the region’s education, health care, and social services. Wealthy families supported these programs with philanthropic contributions made through secular societies and many of the programs continue in some form. In the early 20th century church-led social welfare efforts were complemented by the development

of mutual aid societies created by new immigrants. These mutual aid societies provided charitable aid and direct services to their members, helping them to integrate into their new countries’ economies and societies while at the same time maintaining their own cultures and traditions. These groups, too, continue to provide similar services.

Secular philanthropy on the rise

Institutional secular philanthropy in Latin America appears to have grown significantly in the last 15 years. While empirical baseline data is limited, highly-respected philanthropic support groups (e.g., GIFE and CEMEFI) and regional scholars have pointed out this growth. Sanborn and Portocarrero, editors of *Philanthropy and Social Change in Latin America*, looking at the data available on foundations in six countries (Argentina, Brazil, Chile, Colombia, Ecuador, Peru and Mexico) concluded that a majority of the 346 foundations in the sample had been created during the 1990s.¹

Strategic giving is growing, but still limited

Much of philanthropy in Latin America is described as remaining rooted in the charitable impulse, with many donors continuing to support social welfare initiatives (further elaborated under “obstacles” below).

Yet there are cautiously promising signs that at least some of the region’s institutional philanthropy is seeking to be increasingly “strategic” with its investments, with new approaches to philanthropy and new pairings of philanthropy and social responsibility on the rise.² According to the survey completed by Grupos de Institutos Fundações e Empresas (GIFE), there is now a recognized distinction between traditional philanthropy and strategic social investment, and in the last decade Brazil has seen a quantitative and quali-

tative growth in “social investors.” GIFE estimates that there are approximately 300 organizations in the country involved in social investment.³

Corporate philanthropy plays a prominent role

Corporate philanthropy is a particularly important part of the region’s changing philanthropic landscape, both quantitatively and also as a leader in strategic philanthropy. It appears that corporate giving may often be part of a corporation’s broader corporate social responsibility (CSR) initiative. The Mexico survey noted that CSR initiatives with philanthropic components are growing rapidly, as businesses of every size become interested in creating or strengthening CSR programs. The Brazil survey emphasizes that philanthropy in the country exists mainly in the area of corporate giving, and that it is becoming more strategic and focused.

In-kind support (pro bono services) from corporations is also prominent in some countries.⁴ For example, in Chile, Colombia, Argentina and elsewhere in L.A., some large legal firms commit to offering a certain number of monthly hours of free counseling and legal services. The 2008 annual report of the Fundación Pro Bono (Pro Bono Foundation) in Chile found that their 21 member law firms gave a total of over 8,000 hours of free advice to the community, representing an in-kind donation of approximately US\$1 million.⁵

Rising interest in collaboration and partnerships

In some countries, and among some philanthropic institutions, there is a growing interest in collaborating with other funders in pursuit of shared goals and to share practical experience. The *First Forum of Ibero-American Corporate Foundations* will convene in the autumn of 2010 to begin a major ongoing effort to share best practices and encourage collaboration among corporate foundations in Spain and Latin America. While the Brazil survey reports on such collaboration, the survey from Mexico notes the difficulties in building public-private alliances in the country.

Growth and importance of philanthropic support organizations

There is a rise of national and regional membership associations to spread skills and standards of philanthropy more broadly across Latin American econo-

mies, among corporate and private foundations, and among civil society groups.⁶ The survey respondents from Brazil (GIFE) and Mexico, (CEMEFI), are excellent examples of the important role such groups can play in promoting, strengthening, and supporting institutional philanthropy.

Legal and Tax Policy Environment

Some observers suggest that the relative weakness of the private, independent foundation sector in Latin America may be in significant part a reflection of the limitations of the law. In particular, several countries limit the ability of the wealthy to allocate money to anyone other than their heirs, and tax laws in general have only recently begun to provide incentives for philanthropy. Survey responses from both Brazil and Mexico point up the additional limitations of legal definitions. In both countries, there are only two types of structures available to all types of nonprofit organizations; there is no legal personality specifically for philanthropic institutions. Because the structures were not designed with consideration for the uniqueness of private philanthropic institutions, they do not readily accommodate specific sectoral needs and may hinder philanthropic growth.

The surveys indicate that the legal and tax policies in Brazil, Colombia, and Mexico differ in their level of encouragement for philanthropic giving. The survey from Brazil reports that the fiscal and legal environment for philanthropy has not kept pace with the changes in civil society and in the business sector over the last two decades. It notes that although Brazil has a strong civil society and legislation is fairly generous regarding freedom of association, it falls short in ensuring a favorable environment for philanthropy in terms of legal and tax incentives. Similarly, in Mexico, legal and fiscal frameworks are reported as not ideally suited to promote philanthropy. The survey from Colombia reports that the government has exhibited increased interest in philanthropy and has introduced regulations to both promote and regulate the sector; it is fairly quick and relatively inexpensive to establish a philanthropic institution. However, while national legislation is straightforward, local and municipal laws may impose additional taxation and reporting restrictions on philanthropic organizations.

Obstacles and Challenges

The following table summarizes the obstacles and challenges identified by survey responses from Latin America and the Caribbean.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING | EXTREMELY CHALLENGING |
|---------------------------------------|-----------------|----------------------|------------------------------|-----------------------|
| LEGAL ENVIRONMENT | | Colombia | Mexico | Brazil |
| TAX ENVIRONMENT | | Brazil | Colombia Mexico | |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | | Brazil | Colombia Mexico | |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | | | Brazil Colombia Mexico | |

Additional obstacles identified by respondents and the literature include:

Charity vs. strategic change

Despite the optimistic moves towards strategic philanthropy in some countries by some philanthropic institutions, the region is still generally characterized by a charitable, as opposed to a social investment, giving culture. Sanborn and Portocarrero observe that the Catholic Church continues to play an important role in all forms of philanthropy and that much of the new philanthropy “does not have a progressive impact.”⁷ They note that a significant share of giving remains focused in urban centers and within economically well-off communities and therefore reinforces rather than reduces social and economic disparities. For example, much of the private philanthropy in education supports private schools and universities for the elite, rather than addressing the inequality between education received by the privileged and the poor. Of note, the legal and tax environment in some countries contribute to this by limiting giving or tax deductions to a narrow set of issues or organizations.

The WINGS survey from Mexico notes that while there is a strong sense of giving in the country, “organized philanthropy...leading to strategic social investment...is still limited.” The Brazil report notes uncertainty around the concepts and practice of sustainability and social responsibility.

Lack of confidence and credibility

From the surveys and literature reviewed, there appears to be a lack of confidence and credibility in philanthropic institutions and broader civil society among both government and the public in many countries in Latin America. The Brazil survey specifically calls out the government’s lack of confidence in the sector, noting that there is a parliamentary committee investigating NGOs. It also notes a lack of professionalism and fragile governance models in foundations, which can fuel uncertainty. Similarly, the Mexican survey acknowledges that some government officials see philanthropy as a form of tax evasion or even a method of money laundering. Encouragingly, Mexico notes that building credibility and trust among the general public is “a work in progress” and viewed as “a challenge more than an obstacle.” The Mexican survey also notes how this lack of credibility is an obstacle in building public-private alliances.

Need for better information and knowledge

In large part, the lack of credibility may be a result of the underlying lack of transparency in the sector. Without reliable and publicly available information on philanthropic investments and their impact, there is likely to be suspicion of its motives and public value. The three survey responses illuminate the need for more robust and reliable information on philanthropic capital. The Mexico survey notes that a lack of transparency, coupled with the fact that many organiza

tions do not assess their impact, leaves many people questioning the value of the sector. The paucity of data on giving makes it impossible to demonstrate impact.

Need for growth and diversity of philanthropic models

In several countries, philanthropy is seen to be inhibited by the limited range of giving models and there is a call to promote greater diversity of actors, models, and strategies. In Brazil, where corporate philanthropy is the predominant model, GIFE plans to launch a ten-year plan beginning in 2010, with an emphasis on diversifying the philanthropic base by, in particular, promoting community and family foundations.

Institutional Philanthropy: Models, Assets, and Expenditures

The limited and incomplete data, both for specific Latin American countries and for the region, render it impossible to provide even cursory analysis of philanthropic models, assets, or expenditures on a country or regional basis. Each respondent emphasized that there is no official or reliable data on philanthropic institutions nationally.

Both GIFE and CEMEFI are working to address this gap, and are leaders and exemplars in the analysis of the philanthropic sector in their countries. The available GIFE information focuses on their 123 members and associates; CEMEFI has a directory of 170 foundations and corporate giving programs. The information that these groups provided is included below. In Colombia there is currently no public or private group tracking philanthropic organizations and capital.

Philanthropic Models

Independent foundations

In Brazil, family foundations are being created, as private social investors emerge from newly wealthy individuals and businesses.⁸ GIFE describes 13 of its current 123 members as independent or family foundations. While the WINGS survey from Brazil notes that many family foundations practice traditional charity rather than strategic social investing, some observers report that a growing number appear to be embracing strategic giving practices.⁹

There is little information on the operating model of independent, or other, foundations (i.e., grantmaking, operating, or hybrid). In the GIFE membership analysis, for 19 of the 123 foundations grantmaking represented more than 50% of their expenditures, while for 48 of the 123, less than 25% of expenditures were for grantmaking.

Corporate foundations

Corporate philanthropy has established a dominant position in the philanthropic landscape of Latin America, with some Latin American businesses establishing significant social engagement and philanthropic budgets. Sanborn, reporting on surveys conducted in Argentina, Brazil, Chile, Peru, and Colombia, notes that 80-95% of the largest corporations practice some type of philanthropy. The Inter-American Development Bank holds an annual conference for Latin American business leaders on social engagement, and attendance has tripled since 2002.¹⁰

The survey from Brazil reports that corporate philanthropy is the predominant model in the country. Sanborn reports on a 2000 survey conducted by IPEA that estimated corporate expenditures on social projects at US\$2.3 billion.¹¹ This trend is further illustrated by the establishment of strong intermediary organizations to support corporate philanthropy, including GIFE, Ethos, and IDIS – all established in the 1990s.

Reports from Mexico paint a different picture of corporate philanthropy in the country. According to an article in *Alliance Magazine*, few Mexican corporations donate even 1% of their pre-tax income.¹² Further, although the number of corporate giving programs in Mexico has grown in the last couple of years, the impact of their grantmaking is not clear. Agustin Landa explains, “Many corporations have created CSR programs in order to acquire community goodwill rather than to meet the long-term needs of the communities where they produce, distribute and sell their products. [It has] created a narrow, short-term vision of what might be achieved.”¹³

It appears from limited studies that many corporate foundations in Latin America tend to be operating rather than grantmaking foundations and few have endowments.¹⁴ In addition, some corporate foundations seek to raise additional funds to augment

their own contributions. Programs are designed and operated in-house, and they fundraise from other businesses and international foundations. In effect, this puts corporate foundations in competition with NGOs for resources. The Mexico survey notes this tendency for corporate foundations to turn into “grant seekers.”

Community foundations

The community foundation model has a mixed history in Latin America and the Caribbean. Mexico is a unique situation, where the model is firmly established and community foundations have grown from four in 1999 to 22 in 2005.¹⁵ It is reported that collectively they raised more than US\$30.8 million in 2007. The survey reports that community foundations in Mexico employ a mixed operating model, operating their own social programs as a main function, as opposed to giving grants to other operating nonprofits. The focus is on community need, rather than the philanthropic interests of donors.

In other countries in the region, the community foundation model appears not to have similarly taken hold. In Brazil, the concept has been discussed for some time but it has not been widely embraced. The first community foundation was established in 1995 and there are at least four other organizations and or initiatives underway to promote community philanthropy, but their outcome is uncertain. There are no community foundations in Colombia.

Other institutional models

None of the three countries that responded to the survey noted the existence of *host-controlled foundations or government-linked foundations*.

The scale of *multi-purpose fundraising foundations* in the three countries that submitted surveys, and in the region, is unclear. The Brazil survey does not identify this as a model, but does include a list of fundraising foundations that may fit the WINGS definition. Colombia notes the existence of the model but could not provide national data, although the survey reports that there are 32 multi-purpose fundraising organizations in the Antioquia region. CEMEFI has identified 16 multi-purpose fundraising foundations in Mexico, all of which operate using a mixed grantmaking/operating model.

¹ Cynthia Sanborn & Felipe Portocarrero (eds.) (2005). *Philanthropy and Social Change in Latin America*. Cambridge: Harvard University Press, p. 15.

² Watson, Tom. (2008, March 6). *Global Philanthropy, Part 2: Philanthropy in Latin America: Past Traditions, Future Innovations*. onPhilanthropy. Retrieved from <http://on-philanthropy.com/2008/global-philanthropy-part-2-philanthropy-in-latin-america-past-traditions-future-innovations/> .

³ Rossetti, Fernando & Cindy Lessa. (2005, December 1). *Brazil: Creating a more diverse sector*. Alliance Magazine. Retrieved from <http://www.alliancemagazine.org/node/1226>.

⁴ Pro bono: a good practice on the rise. (2009, July 15). Alliance Magazine. Retrieved from <http://www.alliancemagazine.org/node/2438>.

⁵ Fundación Pro Bono. (2008). *Memoria 2008*. p. 19. Retrieved from <http://www.probono.cl/documentos/documentos/MemoriaProbono2008.pdf>.

⁶ Watson, Tom. (2008, March 6). *Global Philanthropy, Part 2*.

⁷ Sanborn & Portocarrero (eds.) (2005), *Philanthropy and Social Change*, p. 11.

⁸ GIFE puts forward 2020 Vision for Brazil. (2009, December 15). Alliance Magazine. Retrieved from <http://www.alliancemagazine.org/node/3150>.

⁹ Alexeeva, Olga. (2009, December 1). Interview - Regina Vidigal Guarita.

¹⁰ Watson, Tom. (2008, March 6). *Global Philanthropy, Part 2*.

¹¹ Sanborn, Cynthia citing survey conducted by the Instituto d3 Pesquisa Economica Aplicada, p. 13. I LOOKED FOR THE IPEA STUDY AND COULDN'T FIND IT.

¹² Latin America must increase giving. (2006, December 1). Alliance Magazine.

¹³ Landa, Agustin. (2005, December 1). Mexico: From charity to social investment.

¹⁴ See for example Shari Turitz and David Winder (2003), *Private Resources for Public Ends: Grantmakers in Brazil, Ecuador and Mexico*. In Cynthia Sanborn & Felipe Portocarrero (eds.), *Philanthropy and Social Change in Latin America*, Harvard University Press.

¹⁵ Landa, Agustin. (2005, December 1). Mexico: From charity to social investment.



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NORTH AMERICA

Survey responses were received from the United States and Canada. In both countries, there are relatively comprehensive data available on institutional models, assets and expenditures.

Philanthropic Trends

Philanthropy in North America has deep roots

The general environment for philanthropy in North America is quite positive due to a combination of historic, cultural, and economic factors. As described by Rob Buchanan of the Council on Foundations: in the US, the idea of limited government complemented by a high degree of citizen engagement in solving problems and meeting community needs has been a part of the American ideal from the nation's beginnings. Initially, this charitable giving was done primarily through religious institutions, but it gradually grew to encompass a variety of secular social welfare and civil society organizations established with a charitable purpose.

Canada also has a history of encouraging community/social participation and community activity. A strong cooperative movement in the West laid the groundwork for robust community philanthropy. In the East, where business was centered, more formal philanthropy emerged. Today, community and independent foundations thrive across the country.

Increased focus on collaboration

Foundations are collaborating more in North America, for a number of reasons: shrinking assets, rising social needs, a more diverse funder landscape, and the increasing awareness that the complexity of social problems often requires the sharing and leveraging of information, best practices, and resources. There is also an emerging generation of younger philanthropists who are more comfortable or may prefer working collaboratively. New models for structuring collaborative relationships continue to emerge, from learning networks to funder syndicates to venture models.¹ Canada's survey points out that not only are

foundations more interested in collaborating, but also grantmaker support organizations are collaborating more in their efforts to support and educate the field in this area.

Increasing interest in funding policy advocacy

A number of foundations view policy advocacy as a key method to leverage their own financial resources and to influence the allocation of public funds. In the US, the Tax Reform Act of 1969 keeps foundations from engaging in direct lobbying, but funding policy advocacy and awareness is increasingly becoming a powerful tool for institutional funders.²

Push towards foundation transparency

There is increasing pressure on foundations to be more transparent about their activities. In 2010, The Foundation Center and partners launched a website called Glasspockets.org to promote and increase understanding of best practices in foundation transparency and accountability. The initiative recognizes foundations that are taking the lead in becoming more transparent and sharing stories and lessons learned about transparency strategies such as searchable grants databases, grantee feedback mechanisms, and social media.

New forms of investment

Socially responsible investing (SRI), mission-based investing (MRI), and program-related investing (PRI) have become increasingly popular over the last several years across North America. The US now has over \$2.71 trillion in socially responsible investment funds – investments that produce both financial and social return.³ PRIs are loans and other forms of investments from the corpus to ventures with social benefit that may generate enough cash to repay the investment. They give charitable organizations or commercial ventures access to capital at favorable rates in the form of loans, loan guarantees, lines of credit, equity investments, etc. Canadian grantmaker support organizations are actively promoting and educating their members about such strategies.

Crowd-sourcing

Several foundations are experimenting with crowd-sourcing, which technology experts Beth Kanter and Allison Fine define as “the process of organizing many people to participate in a joint project, often in small ways, producing results that are greater than an individual or organization could have accomplished alone.”⁴ Foundations are using crowd-sourcing to solicit new ideas, help refine philanthropic strategies, and at times even make grantmaking decisions.

Legal and Tax Policy Environment

Compared to some other regions, the legal and tax policy environment in North America is generally favorable to philanthropic institutions.

As described in the U.S. survey response from the Council on Foundations:

“The US has a relatively favorable legal and policy environment for philanthropic institutions. The scope for tax-exempt charitable activities is broad under federal law, and tax-exempt nonprofit organizations have wide latitude to pursue their missions of serving the public good. While the US tax code is long and extremely complex, the tax environment is favorable to giving. The code divides the charitable sector into two broad categories: private foundations and public charities. Private foundations derive their income from a single source and may be governed by

a board comprised of family members, experts, or corporate officials. Public charities raise funds from multiple sources, are governed by more broadly based boards and are accountable to a wider range of donors than private foundations, they are thought to operate in a more public space and therefore require less oversight from government regulators. Because they can operate out of public view, private foundations are subject to stricter rules and greater oversight such as IRS procedures for making grants to organizations outside the U.S. Many public charities follow the private foundation rules as a matter of good practice, even though they are not required to do so.”

Canada has a relatively friendly regulatory system. Of note, decades ago the federal government instituted generous tax incentives for philanthropy. At the same time, Canada has a number of regulatory restrictions that create challenges for foundations. While the process for registering a foundation is clear and relatively easy, registration takes three-to-four months to complete. There are currently some issues relating to the country’s complex disbursement formula for grants, and the definition of a registered charity dates back several centuries and excludes a number of modern nonprofit organizations from receiving tax receipted funds. International giving requires going through a Canadian registered charity or setting up an elaborate agency agreement.

Obstacles and Challenges

The following table summarizes the obstacles and challenges identified by survey responses from North America. The responses reflect the generally favorable environment for philanthropy in both the US and Canada. Overall, neither the legal and tax environment nor public attitudes and perceptions are a great obstacle to philanthropy.

| FACTOR | NOT CHALLENGING | MODESTLY CHALLENGING | MODERATELY CHALLENGING |
|---------------------------------------|------------------|----------------------|------------------------|
| LEGAL ENVIRONMENT | US | Canada (2) | US |
| TAX ENVIRONMENT | US | Canada (2) | US |
| PUBLIC ATTITUDES TOWARDS PHILANTHROPY | Canada (2) US | Canada (2) US | |
| LACK OF CONFIDENCE IN PUBLIC SECTOR | Canada | US (2) | Canada |

Additional obstacles identified by respondents and the literature include:

Measuring impact

Measuring philanthropic impact and effectiveness is a major focus for US philanthropic institutions. An annual survey by The Conference Board showed that more than half of the responding corporate funders ranked measurement as increasing in importance. Many in the sector are struggling with how to demonstrate impact in a compelling way to the government and the media, and gauge whether and how their strategies are working. One key challenge is data. While funders report using a variety of data sources to understand whether they are making progress towards their goals, they often do not have clearly defined performance indicators or metrics associated with a strategy.⁶ Nor is there a lot of incentive to come together to devise standardized data/metrics.

Improving collaboration

While there is rapidly growing interest and participation in collaboration among foundations, collaboration can be challenging. The scale and complexity of social, economic and environmental issues requires more and better collaborative initiatives to share information across institutional boundaries and leverage synergies to achieve impact.

Concentration of philanthropic resources

The US survey pointed out that grantmaking tends to be skewed towards urban communities. As a result smaller, rural communities struggle to access philanthropic resources or develop significant local resources. A 2004 study by the Southern Rural Development Initiative found that rural foundations represented only 3% of US foundation assets, and tended to be concentrated in but a select few smaller cities.⁶

Slow adaptation of technology to core practices of grantmaking

Organizations in sectors other than the philanthropic sector are much quicker to adopt new technologies and make behavioral changes. Some foundations have taken the lead by integrating social media and other emerging technologies into their internal processes, but the norm is for foundations to rely on “older” forms of technology (databases, simple websites). While technology has become the “lifeblood” of philanthropic networks, changing the way funders find and share information, it has not been adopted into organizational operations as quickly as in other sectors.^{7&8}

Philanthropic Models

The US survey reports nearly 77,000 foundations, with the vast majority (almost 74,000) being independent foundations. The foundation sector has total charitable assets estimated at roughly \$1 trillion and foundation giving in 2008 totaled \$45.6 billion. The survey from Canada identifies almost 5,000 foundations that give a total of about \$3.5 billion per year, according to the Canada Revenue Agency.

Independent foundations

The category of independent foundation encompasses several kinds of private foundations. As described by the Foundation Center, an independent foundation is “a grantmaking organization usually classified by the IRS as a private foundation. Independent foundations may also be known as family foundations, general purpose foundations, special purpose foundations, or private non-operating foundations.”^{9&10} Family foundations are a particularly important model of independent foundations in the United States. They are not a legally distinct model, but are identified by measurable donor or donor-family involvement. Of the 73, 600 independent foundations reporting in the survey, the Foundation Center estimates that 40,200, over half, are family foundations. They account for similar shares of independent foundations’ giving, assets, and new gifts and bequests.

Corporate foundations

As reported in the survey response, there are approximately 2,500 grantmaking corporate foundations in the United States with grantmaking in 2008 at an estimated \$4.4 billion. Elsewhere, the Foundation Center reports that approximately one-quarter of corporate foundation giving in recent years has been provided by foundations tied to companies working in the banking and finance sector.¹¹

Community foundations

The US survey reports 728 community foundations in the United States. The Foundation Center reports that in 2008 they accounted for one percent of all US grantmaking foundations, but about ten percent of giving. Despite the worsening economic climate,

community foundations increased their giving by an estimated 6.7 percent in 2008 to a record \$4.6 billion; adjusted for inflation, giving rose 2.7 percent. This increase surpassed the rate of growth reported by independent and corporate foundations and, for the first time on record, community foundations gave more than corporate foundations.¹²

In Canada, The Community Foundations of Canada (CFC) is the national membership organization for Canada’s community foundations. With a mission to “build stronger communities by enhancing the philanthropic leadership of community foundations,” CFC works with 174 members to support, promote and advance philanthropy and community foundations throughout the country.¹³ According to CFC, in 2009, community foundation assets across Canada reached \$2.85 billion, with \$140.6 million in grants and \$193.6 million in donor investments.¹⁴ CFC also coordinates an annual “community check-up” called Vital Signs, based on at least ten quality of life indices, to assess the status of communities throughout Canada.¹⁵ At the global level, in January 2009 CFC became home to the Transatlantic Community Foundation Network (TCFN), a network of community foundations from 17 countries in North America and Europe that serves as a platform for the exchange of experience and ideas to promote the development of community foundations and community philanthropy worldwide.

Other institution models

The Canadian survey indicated that somewhat less than 50 *host-controlled foundations* exist in the country. None were identified in the United States, although donor-advised funds – not currently tracked by the Foundation Center – would likely fit into this category.

The Canadian survey identified at least 500 multipurpose *fundraising foundations*. The US survey did not identify this model, although such institutions commonly exist in the United States.

The Canadian survey identified 25-35 *government-linked foundations*, of which 10-15 use an operating model. None were identified in the United States.

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- ⁴ Wales, Jane. (2010, September 28). "If you Want an Answer, ask Everyone:" The Rise of Crowd-Source Grantmaking. The Huffington Post. Retrieved from http://www.huffingtonpost.com/jane-wales/if-you-want-an-answer-ask_b_742111.html.
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- ⁶ Cohen, Todd. (2007, August 13). Rural philanthropy needed. Inside Philanthropy. Retrieved from <http://philanthropyjournal.blogspot.com/2007/08/rural-philanthropy-needed.html>.
- ⁷ 10 Emerging Forces in 2010. (2009, December 10). The Chronicle of Philanthropy. Retrieved from <http://philanthropy.com/article/10-Emerging-Forces-in-2010/57633/>.
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- ⁹ Guide to Funding Research: Glossary. Foundation Center. Retrieved from <http://www.foundationcenter.org/getstarted/tutorials/gfr/glossary.html>.
- ¹⁰ Ibid.
- ¹¹ Key Facts on Corporate Foundations. (2009, May). Foundation Center. Retrieved from http://foundationcenter.org/gainknowledge/research/pdf/keyfacts_corp_2009.pdf
- ¹² Ibid.
- ¹³ About CFC: Mission. (2010). Community Foundations of Canada. Retrieved from <http://www.cfc-fcc.ca/about-cfc/index.cfm>.
- ¹⁴ Annual Report 2009. (2009). Community Foundations of Canada. Retrieved from <http://cfc-fcc.ca/documents/AR2009.pdf>.
- ¹⁵ About Vital Signs. (2010). Vital Signs Canada. Retrieved from <http://www.vitalsignscanada.ca/about-vital-signs-e.html>.

THE WAY FORWARD

Conclusion

The global and regional commentaries above, and the national summaries included in Report Two, illuminate the rich, evolving, and promising landscape of global institutional philanthropy. At the same time, the reports highlight the critical gaps in our knowledge of global giving and the formidable obstacles to its growth and effective practice.

Optimistically, we may be at an important crossroads where philanthropy will play an increasingly important role around the globe. There are promising signs that philanthropy is growing, increasingly strategic, and viewed by many as a vital partner in addressing a wide range of human and societal challenges. Global wealth, globalization, technological advances, shifting roles between the public and private sectors, and individual compassion and commitment have combined to provide heretofore unknown opportunities for the creation and employment of private philanthropic capital. There are new actors, new approaches to giving, and promising partnerships.

Yet challenges abound. The very role of private or civic action is still questioned in many countries. Broadly speaking there appears to be a pervasive lack of trust and confidence in philanthropic and not-profit organizations, and in philanthropy's ability to achieve its full potential. In many countries, the public policy and regulatory environments hinder philanthropy's full development. Measuring effectiveness remains a challenge. The lack of data underlies and exacerbates all of these challenges.

For philanthropy to become a significant global force for good, more knowledge, new approaches, and stronger commitments will be required. The possibilities are clear. The choice is ours.

